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# EXPLANATORY FOREWORD

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This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main features of the Council's financial position at 31<sup>st</sup> March 2007

## 1. THE ACCOUNTING STATEMENTS

The Council's accounts for the year 2006/2007 consist of:

<ul style="list-style-type: none"> <li>• <b>Statement of Responsibilities for Statement of Accounts</b></li> </ul>	<b>Page (vii)</b>
<ul style="list-style-type: none"> <li>• <b>The Statement on Internal Control</b></li> </ul>	<b>(ix)</b>
<ul style="list-style-type: none"> <li>• <b>Accounting Policies</b></li> </ul>	<b>1</b>
<ul style="list-style-type: none"> <li>• <b>The Income and Expenditure Account:-</b> which sets out income and expenditure on all services.</li> </ul>	<b>9</b>
<ul style="list-style-type: none"> <li>• <b>Statement of Movement on the General Fund Balance:-</b> which summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.</li> </ul>	<b>10</b>
<ul style="list-style-type: none"> <li>• <b>Statement of Total Recognised Gains and Losses:-</b> which sets out the movement in net assets on the balance sheet from prior year to the current balance sheet date.</li> </ul>	<b>10</b>
<ul style="list-style-type: none"> <li>• <b>The Consolidated Balance Sheet:-</b> which sets out the assets and liabilities of the Council on the 31<sup>st</sup> March 2007, excluding the Pension Fund (which is shown separately).</li> </ul>	<b>11</b>
<ul style="list-style-type: none"> <li>• <b>The Cash Flow Statement:-</b> which shows the movements in cash of the Council's funds for 2006/2007, excluding the Pension Fund and Trust Funds.</li> </ul>	<b>12</b>
<ul style="list-style-type: none"> <li>• <b>The Housing Revenue Account:-</b> which shows in detail income and expenditure on Council Housing.</li> </ul>	<b>37</b>
<ul style="list-style-type: none"> <li>• <b>The Collection Fund Account:-</b> which shows the receipt of Council Tax, Business Rates and Government Grants, which are then used to finance services provided by the Council and the Greater London Authority.</li> </ul>	<b>42</b>
<ul style="list-style-type: none"> <li>• <b>The Pension Fund Accounts :-</b> which provide for retirement benefits for past and present employees of the Council and the Admitted Bodies, with the exception of teachers who contribute to a scheme administered by the Department for Education and Skills.</li> </ul>	<b>46</b>
<ul style="list-style-type: none"> <li>• <b>External Audit Report</b></li> </ul>	<b>53</b>
<ul style="list-style-type: none"> <li>• <b>Signature of Chairman of the Assembly</b></li> </ul>	<b>58</b>
<ul style="list-style-type: none"> <li>• <b>Glossary of Terms</b></li> </ul>	<b>59</b>

## 2. REVENUE BUDGET

The following table sets out the overall comparison of original estimates and actual expenditure on the day to day running costs of services for the area and shows where the money comes from.

	Budget Original	Budget Revised	Actual	Variation Revised vs Actual
	£'000	£'000	£'000	£'000
<b><u>Money Spent</u></b>				
Barking & Dagenham Council				
Spending on Services:-				
• Children's Services	162,966	159,414	159,559	145
• Adult & Community Services	55,586	57,364	57,491	127
• Regeneration	20,071	21,668	21,709	41
• Customer Services	14,555	16,500	16,870	370
• Corporate Resources	(7,579)	3,260	2,936	(324)
	<b>245,599</b>	<b>258,206</b>	<b>258,565</b>	<b>359</b>
Levying Authorities				
• East London Waste Authority	5,732	5,732	5,732	0
• Lee Valley Regional Park Authority	154	150	150	0
• Environmental Agency	138	138	138	0
• London Pensions Fund Authority	60	59	59	0
	<b>251,683</b>	<b>264,285</b>	<b>264,644</b>	<b>359</b>
Precepting Authorities				
• Greater London Authority	14,618	14,618	14,618	0
	<b>266,301</b>	<b>278,903</b>	<b>279,262</b>	<b>359</b>
<b>Total Money Spent</b>				
Net Contribution from Reserves				
• Schools' Balances	0	(4,524)	(4,524)	0
• Specific Reserves	(1,412)	(7,704)	(7,704)	0
• General Reserves	(2,847)	(4,633)	(4,991)	(359)
	<b>262,042</b>	<b>262,042</b>	<b>262,042</b>	<b>0</b>
<b><u>Where the Money Comes from</u></b>				
• Council Taxpayers	60,772	60,772	60,772	0
• Government Grants	132,091	132,091	132,091	0
• Business Rates	69,179	69,179	69,179	0
	<b>262,042</b>	<b>262,042</b>	<b>262,042</b>	<b>0</b>

### 2.1 Revenue Services - Financial Performance

For the financial year 2006/07 the Council is reporting a £359k overspend.

This can be analysed as a £359k overspend, which with carry forward requests from Corporate Directors of £290k to support service issues and developments that were unable to be achieved in 2006/07, results in an overall net overspend for the year of £649k.

In summary the overall departmental performances can be summarised as follows:

<u>Service Department</u>	<u>Over/(under)</u> <u>spend</u> <u>2006/07</u> <u>£'000</u>	<u>Roll Forward</u> <u>Requests</u> <u>2006/07</u> <u>£'000</u>	<u>Overall</u> <u>Position</u> <u>2006/07</u> <u>£'000</u>
Adult & Community Services	127	58	185
Children's Services	145	0	145
Customer Services	370	0	370
Regeneration	41	0	41
Corporate Resources	(324)	232	(92)
<b>Total</b>	<b>359</b>	<b>290</b>	<b>649</b>

The 2006/07 financial year has proved a demanding period for the Council with a number of significant financial pressures arising including:

- Increased demand in Adult Care at Home Packages;
- Increased demand for Children's Out of Borough Placements;
- Cost pressures in Environmental & Enforcement Services;
- Income and Cost pressures within Leisure Services;
- Implementation of the Single Status Agreement.

As a result of these pressures the Council reported in its June Budget Monitoring report a potential overspend position by the year end of £5.7m. However, since this time all department's have prepared and implemented a number of action plans aimed at reducing expenditure and moving towards meeting their agreed budget by the year end.

Amongst other things, these action plans have included a review of Fair Access to Care criteria, the renegotiation of several ICT contracts, implementing a freeze on centrally controlled budgets, non-essential overtime and recruitment, Head of Service approval for items of spend in excess of £250, and the cessation of non-essential agency contracts.

Given the size of the financial pressures, the end-of-year position demonstrates a successful year of financial control, accurate forecasting, good systems/processes and the ability to implement and deliver action plans.

A number of the on-going pressures that arose in 2006/07 have been resolved in the longer term through the 2007/08 Budget process.

The Council's full position on its 2006/07 revenue outturn was reported to its Executive meeting on the 12<sup>th</sup> June 2007. The Council has in place a medium term financial strategy which is based on achieving a balanced budget by not using reserves for recurring expenditure.

The Council's General and School reserves position as at 31/3/2007 is as follows:

	<u>31/3/2006</u>	<u>31/3/2007</u>
	<u>£000's</u>	<u>£000's</u>
General Reserves	16,919	12,154
School Balances	3,438	7,962

The full reserves position is shown at page 41.

## 2.2 Income for service expenditure

From 2006/07, the Formula Spending Share and assumed council tax assumptions which form the basis of the existing grant distribution arrangements was phased out and replaced by a new '**four block**' model which focuses on the calculation of total grant.

The four block model grant allocations comprise the following components:

- A relative **needs** amount (e.g. to reflect differences in deprivation or other factors such as density and commuters) using Relative Needs Formulae (RNF)
- A reduction based on relative **resources** (the relative ability of authorities to raise council tax)
- A **central allocation** (basic amount) based on a per capita amount
- An allocation to ensure a minimum increase in grant i.e. the **damping** amount require to fund the floor which is positive for floor authorities and negative for those above the floor. The floor is set at 2% for 2006/07.

For 2006/07, Barking and Dagenham received formula grant of £82.4m, which can be analysed between redistributed business rates (£69.2m) and revenue support grant (£13.2m). The like for like increase in formula grant for Barking and Dagenham for 2006/07 is 2.5%.

The Council set a Band 'D' Council tax in 2006/07 of £930.18 (excluding the Greater London precept (GLA)) and is summarised as follows:

	<u>2005/06</u>	<u>2006/07</u>	<u>Increase</u>
	<u>£</u>	<u>£</u>	<u>%</u>
LBBD	898.74	930.18	3.5
GLA	254.62	288.61	13.35
Total	1,153.36	1,218.79	5.67

The Council's 2006/07 Council tax represented the 2<sup>nd</sup> lowest Council tax in Outer London and the overall increase of 3.5% was in line with the average increase across the country.

In addition to income from general government grant, NNDR and Council Tax, the Council received £274m of income from specific grants and fees and charges.

### 3. **CAPITAL BUDGET**

In addition to the Revenue Budget there is a Capital Budget covering spending on construction and substantial improvements to Council housing, schools, roads, sports facilities and other buildings.

Capital Programme spending in 2006/07 was £70.7 million compared with the planned expenditure level of £76.6 million.

The Capital Programme was funded from the following sources:

	<u>£m</u>
Capital Receipts	40.3
Direct Revenue Financing	0.1
Major Repairs Reserve	9.9
Government Grants/Other Contributions	<u>20.4</u>
	<u>70.7</u>

At 31st March 2007, the Council had £33.9m in Capital Receipts available to finance future years' capital programmes. However a substantial amount of this balance is already committed to funding the Council's future capital spending plans and its outstanding capital creditors from 2006/07.

In 2006/07 the Council neither had nor entered into any long term borrowing to finance Capital expenditure having decided to repay all such borrowing in 1993. The capital programme for 2006/07 was therefore funded from a combination of existing capital reserves and external sources. The Council's current financial strategy is not to return to borrowing up until at least the financial year 2008/09 but to fund its capital programme from capital receipts, revenue resources and external funding.

The Council's full position on its 2006/07 capital outturn was reported to its Executive meeting on the 12<sup>th</sup> June 2007.

### 4. **BALANCE SHEET**

The Council's non-housing stock was re-valued during 2006/07. This has led to a reduction in the net book value of housing stock in the accounts.

The balance sheet also sees a drop in the value of investments, as a result of the Council using capital receipts to fund capital projects across the borough.

### 5. **PENSION LIABILITY**

The Council has prepared this Statement of Accounts to comply with the requirements of FRS 17 "Accounting for Retirement Benefits". A Pension Fund reserve is shown on the balance sheet, representing the net funding deficit as at the 31<sup>st</sup> March 2007. The balance at this date stands at £123m (£142m at 31<sup>st</sup>

March 2006), following the updated actuarial information received at the year end. See note 40 for further details.

**6. ACCOUNTING POLICIES**

The accounting policies adopted by the Council comply with the relevant recommended accounting practices. The Council's policies are explained fully in the Statement of Accounting policies set out in pages 1 to 8.

**7. FURTHER INFORMATION**

Further information about the accounts is available from:-

Divisional Director of Corporate Finance,  
London Borough of Barking and Dagenham  
Civic Centre,  
Dagenham, Essex. RM10 7BY

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection will be advertised in the local press.

# **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

## **The Council's Responsibilities**

The Council is required:-

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Executive;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

## **Chief Financial Officer's Responsibilities**

The Chief Financial Officer is responsible for the preparation of the Council's statement of accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'); and is required to present fairly the financial position of the Council and its Pension Fund at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2007.

In preparing this statement of accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Chief Financial Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

**CHIEF FINANCIAL OFFICER'S CERTIFICATION  
TO THE STATEMENT OF ACCOUNTS**

For the purpose of identifying the relevant accounts on which the Auditors are to express their opinion, in accordance with regulation 10 (2) of the Accounts and Audit Regulations 2003, I certify that the accounts of the Council set out on pages 1 to 45 and its Pension Fund on pages 46 to 52 have been submitted to the Council's Auditors – PricewaterhouseCoopers LLP - and that they present fairly the financial position and transactions of the Council and its Pension Fund at 31<sup>st</sup> March 2007, and their income and expenditure for the year then ended.

  
**CHIEF FINANCIAL OFFICER**

27/9/07  
**DATE**



# THE STATEMENT ON INTERNAL CONTROL 2006

## 1. INTRODUCTION

The Accounts and Audit Regulations (England) 2003 (amended 2006) require the Authority to be responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which include arrangements for the management of risk. In addition, the 2006 amendment makes a further requirement for there to be a review of systems of internal audit

Coupled with these requirements is the need for a Statement on Internal Control (SIC), prepared in accordance with proper practices, to be included with its published accounts. These have been conducted in accordance with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Public Finance (IPF).

Robust arrangements for internal control were found to be in place during 2006/07 at Barking and Dagenham. These arrangements have been developed further during 2006/7 and include the following:

- governance arrangements,
- standing orders,
- internal audit, which has a new strategy in place to strengthen the overall function
- financial regulations which have been reviewed during the year and
- performance monitoring, which has been strengthened to make a closer link with the financial data.

Without such existing arrangements the Authority could not effectively conduct its business. The SIC is intended to ensure that such arrangements are reviewed to provide assurance of their soundness, and at the same time, provide an early warning system for areas requiring action.

The internal control regime has been evaluated as described in the following sections. The Audit Committee received a report from the Head of Strategic Finance & Audit at the meeting of 19<sup>th</sup> April 07 which identified that reasonable assurance could be placed on the systems of internal control operating within the Council.

Issues identified in the 2005/06 Statement on Internal Controls have been progressed and are referred to where appropriate within this document.

## **2. SCOPE OF RESPONSIBILITY**

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are executed, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

## **3. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

A system of internal control has been in place at the Council for the year ended 31<sup>st</sup> March 2007 and up to the date of approval of the annual report and accounts.

## **4. THE INTERNAL CONTROL ENVIRONMENT**

The guidance of CIPFA and IPF has been followed in the production of this document and in the process of identifying the sources of assurance that underpin this document.

There are four key elements to the internal control environment;

- Policy, planning and Performance Management Frameworks
- Financial Management and Budgetary Control
- Corporate Governance
- Risk Management Mechanisms

### Policy, Planning and Performance Management Frameworks

In 2002, the Council agreed seven Community Priorities which would form the context of all future Council actions and ensure delivery of the Council's longer term Vision (2020). The Council has reviewed these and in addition has identified three Council Priorities which underpin all activity.

Each service has developed a balanced scorecard which ensures that service developments are aligned to corporate priorities.

In May 06, the Service Efficiency and Financial Planning Board was established. This body with representation across all services and chaired by the Director of Resources provides a cross service approach and focus on delivering good quality services.

Council Priorities are reviewed annually by the Corporate Management Team taking account of the issues raised from the Comprehensive Performance Assessment (CPA) process; external inspections, other strategic issues such as the Customer First agenda, and annual service planning and budget process. Departmental Management Teams review performance on a monthly basis and Chief Executive's Performance Board does so 6 weekly. CMT receive a monthly 'Dashboard' of the most significant issues. The Strategy Group and Executive monitor performance on a quarterly basis

Both the Executive and the CMT monitor performance information on a 3 monthly basis. Key performance information is reported at the Performance Boards attended by Directors and chaired by the Chief Executive. Performance is considered at least monthly by Directors at departmental management team meetings and by Members on a quarterly basis at the CMT Executive. Worst performing indicators are reported with action plans to the Scrutiny Management Board. Throughout 2006/7, the Council has produced an 'Achieving Excellence' report which identifies the progress on each of the key business themes of performance, projects, pounds and people as well as complaints and the balanced scorecards.

An annual service scorecard process is incorporated into the Personal Performance Management interviews of all the senior managers of the Council. This gives Members a further opportunity to influence the development of service objectives. The Service Scorecards cover a 3 year period to dovetail with the Medium Term Financial Plan, and budget process.

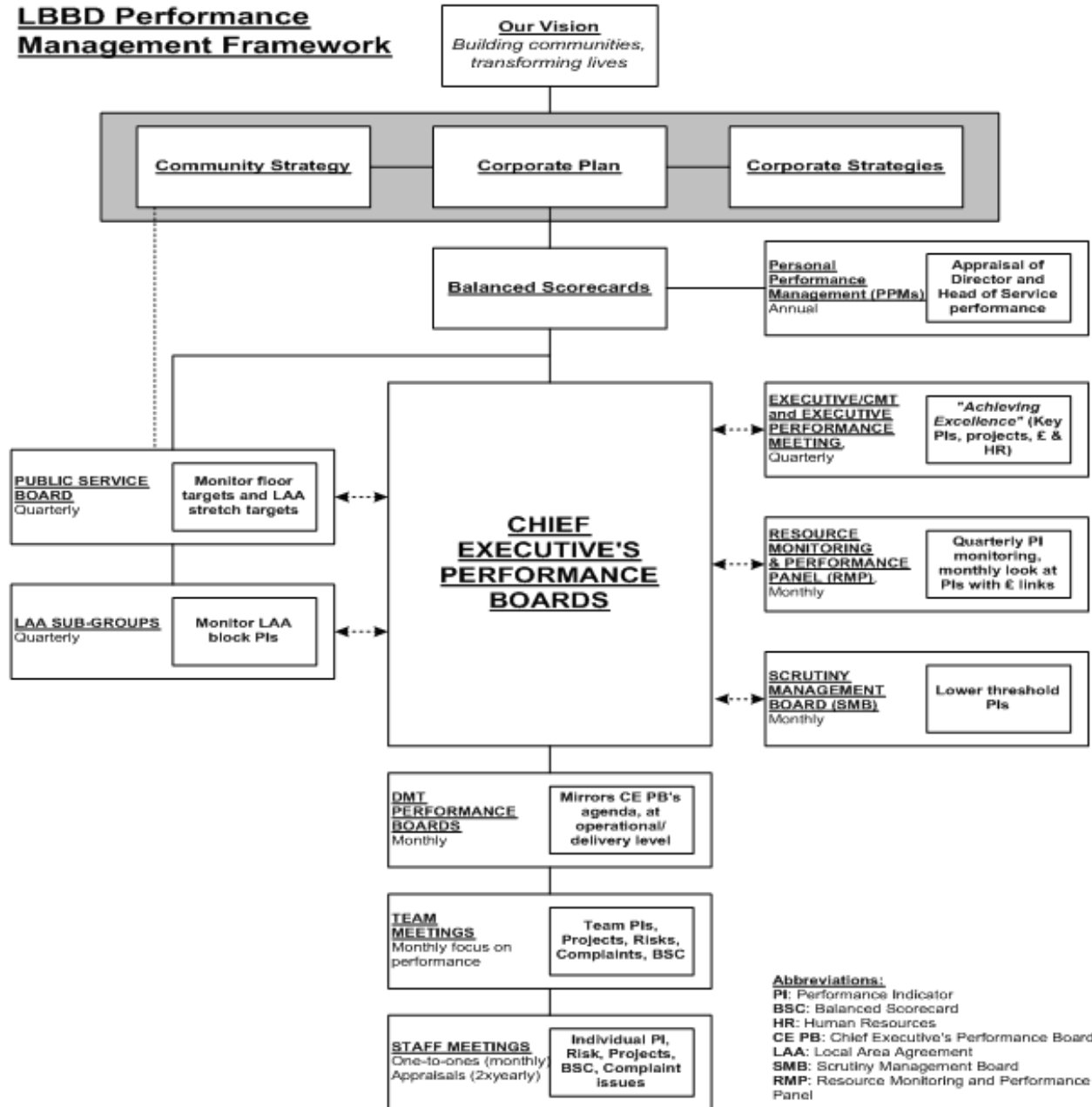
The service scorecard process was enhanced in 2006/7 with each Department's scorecards subjected to a challenge process to ensure consistency and to ensure that all service plans compliment one another and the overall corporate strategic direction. Two mandatory requirements in producing these scorecards were to have regard to the Value for Money and risk management aspects of each business. These scorecards are monitored by the Service Efficiency and Financial Planning Board on a quarterly exception basis.

Key statutory performance indicators are subject to an internal audit. Those selected for audit review are identified on a risk based assessment which in turn is reviewed by the Council's external statutory auditors.

The Council intends moving its CPA judgment to Excellent in 2008, having already achieved progress to 'Good' in 2006.

The seven Community Priorities remain the broad context for all of the Council's actions. These are set out annually in our Corporate Plan and underpin the Council's work with its partners in the community through the Barking and Dagenham Partnership. These are underpinned by the three corporate priorities of 'delivering excellent services', 'improving performance across the board' and 'regenerating the Borough' developed in 2006/7 to provide sharper focus on the Council's activities. This synergy ensures that the Council and its partners are on track towards delivering their shared aim: "Together we will Build Communities and Transform Lives".

**LBB Performance Management Framework**



The Council identified 5 values supported by the 3 corporate priorities which form the basis for the major areas of work to be undertaken. These have been presented to all staff through a series of briefings.

#### Financial Management and Budgetary Control

The Authority continues to employ the procedure in place previously for the monitoring of both its revenue and capital budgets.

Each month a separate Resource Monitoring Panel meeting is held between the lead Member for Resources with each of the five Directors of the Council's Departments with support from the Corporate Finance Division. The meeting considers the current revenue and capital position for each Department and any other related resource matters.

The information from these meetings was presented to the Chief Executive, Director of Resources and Director of Resources in a Corporate Round-up Meeting attended again by the lead Member for Resources

The overall position is presented monthly to the Executive to inform them of the Council's budgetary position.

To complement this process the Capital Project Management Office (CPMO), located within the Strategic Finance Division, monitors the individual progress of each scheme within the Council's Capital Programme with the relevant Project Sponsors in spending Departments. Additional to this is a capital appraisal process which vets each project for:

- Strategic Fit
- Financial Implications including value for money
- Deliverability and Procurement
- Benefits Plan (cost benefit analysis)

This progress is recognised as good practice by both the Improvement and Development Agency (IDeA) and the Audit Commission.

At the Assembly on 28<sup>th</sup> February 2007, the Council approved a Medium Term Financial Strategy (MTFS) covering the period 2007/08 to 2009/10.

This Strategy is driven by the Council's desire to maximise its impact in addressing the needs of local people, delivering against the Community Priorities and working with the local community wherever possible. The MTFS sets out a framework for using the Council's finances to deliver the Community Priorities over the next three years. For the first time, this document attempts to link the council's expenditure against the Community priorities.

The Strategy is reviewed each year to update our projections of expenditure need and resources available to enable full and proper planning of our Council's services.

There is financial input to all reports to the Executive - they have to be cleared by the Section 151 Officer or designated deputy before submission to Members.

The Section 151 Officer (or designated deputy) attends both the Assembly and Executive meetings to advise members on financial matters.

Internal Audit operates in accordance with the CIPFA Code of Practice. All the major financial systems of the Council are subject to an annual audit by the Council's Internal Auditors being internal audit staff and Deloitte. The scope of the audit work coverage is assessed using a risk based analysis, including where appropriate, risk management. As risk management systems become more embedded, greater reliance will be placed upon them and used more and more in determining the audit plan. Key recommendations from Internal Audit work are reported to the Audit Committee which was established in June 06 and undertakes a role commensurate with recognised best practice. Internal Audit reported to the Audit Committee in April 07 that it could provide reasonable assurance that the systems of internal control were working effectively.

One significant improvement with regard the internal control environment, is that the Council achieved level 3 for Internal control in the 2005 6 CPA Use of Resources

assessment. A key aspect of the overall Use of Resources assessment is Value for Money. The Council has made significant steps embedding and demonstrating Value for Money during 2006/7 resulting in a score of '3' compared with '2' last year.

### Corporate Governance

The corporate reporting structure was reviewed during 2006/7 leading to the creation of an Audit Committee, which reports directly to the Assembly providing independent, effective assurances about the adequacy of internal control frameworks and financial management and reporting. To reinforce the independence of the Committee it is chaired by a non Executive/ Scrutiny Management Board Member(s). It is also served by a highly experienced non executive who provides expert advice and direction to the Committee with regards to audit matters.

The Council has assessed itself against the CIPFA/ SOLACE best practice guidelines for Corporate Governance and will be undertaking a further assessment in June 2007 once the revised CIPFA/SOLACE guidelines are approved. The Council has adopted the National Code of Conduct for Members.

The Council has a comprehensive set of policies and frameworks relating to Corporate Governance which have been approved by both the Standards Committee and the Assembly.

The Standards Committee and Audit Committee also receive an annual report from the Head of Audit Services in respect of fraud and disciplinary work. This contributes to the planning process in so far as it provides an early indication of emerging trends and problems which proactive audits can help address.

The Monitoring Officer and the Assistant Chief Executive Partnerships and Democracy (Whistleblowing Officer) also submit annual reports to the Standards Committee.

The Monitoring Officer monitors and reviews the operation of the Constitution to ensure that its aims and principles are given full effect.

A Members' Code of Conduct is contained within the Constitution. Members' Registers of Interests and Hospitality are kept by the Monitoring Officer.

The Divisional Director of Legal Services (and Monitoring Officer) advises upon the legal implications of committee reports, advises Members and Officers on legality, probity and constitutional issues and updates the Council on significant legal developments.

### Risk Management Mechanisms

Risk management is now well established in the Council.. Risk Management is a key requirement of the service planning approach. A good understanding of key risks is now established at corporate levels. Risk Management is integrated into projects/programmes management and how these are reported. Monitoring helps to identify whether projects remain on track and ensures councillors play a role in assessing and understanding risks. Risk is considered during the lifecycle of capital projects from appraisal to delivery. All committee decisions need to reflect a risk assessment and risk is built into our procurement and commissioning processes.

In partnerships, risks to the Authority and in some cases the partners themselves are being identified and managed via risk registers and their monitoring at Departmental Management Team level. Relationships are being developed with risk managers in partner organisations on the management of risk for the partnerships. There are plans to extend the council's risk management training to partners to enhance understanding and the management of risk.

This is already underway in the Thames Gateway London Partnership, where the risk manager is a critical friend on the risks carried by Thames Gateway on the various projects that they are responsible for, and risk management training is in progress for their project and operational officers.

All staff with management responsibilities attend training on risk management; so far over 200 Members, Senior Officers and Officers have been trained. Refresher courses are now being run. Through briefings and guidance, officers are now alert to the need to consider risks, how to mitigate them, and to consider opportunities as well. Guidance including 'A Risk Management Guide'; 'Policy and Strategy' and 'A Common Risk Guide' is available on the councils intranet.



## 5. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

### Financial Management and Budgetary Control

A separate Audit Committee was established in May 06 (in accordance with CIPFA guidance) reporting directly to the Assembly. This Committee is also aided by an experienced external advisor with extensive knowledge of local government control environments.

Internal Audit review and test the key controls in the Council's major financial systems on an annual basis. In 2007/8 this is moving to a more risk based approach, so that only those systems identified as in need of review are audited each year hence ensuring resources are utilised more efficiently.

As a part of the development of a risk based audit plan, discussions are held with Directors and Heads of Service on their priorities and their responsibilities for the control environment. This will be developed in 2007/8 into formal departmental assurance statements once a series of internal control awareness sessions have been held.

Based on the work undertaken during the year and the implementation by management of the recommendations made, internal audit were able to provide reasonable assurance that the systems of internal control within the council were operating adequately and effectively. Some internal audit reviews provided limited assurance in that there was a need to improve documentation, systems design and evidence of supervisory checks. But the reviews did not indicate any significant underlying weaknesses in the operation of the financial systems tested. All reviews will be tracked during 2007/8 to ensure that recommendations are implemented.

An effective working relationship with the Council's external auditors, PWC has been maintained. Joint planning has ensured the most effective use of resources and avoided duplication of effort. This liaison and the work undertaken have enabled the Council's external auditors to adopt the Managed Audit Approach outlined by the Audit Commission. The implication of this is that the external auditors can place reliance on the work of Internal Audit and that it complies with appropriate professional standards and statutory requirements.

As a part of this SIC, a review has been conducted of the effectiveness of the Council's system of internal Audit.

In order to ensure that a robust review of the internal audit service has been carried out, the Financial Directors of Barking & Dagenham, Havering, Redbridge, Tower Hamlets and Newham have agreed that, in addition to the internal reviews, peer reviews would be carried out ensure that an external review has also taken place.

The peer review opinion was that substantial assurance could be provided. There were 3 'medium' recommendations which are being addressed by the Head of Strategic Finance and Audit as part of the overall implementation of a new Audit Strategy.

### Corporate Governance

Compliance with the CIPFA / SOLACE best practice guidance for 2006/7 has been assessed and on the basis of that work a Code of Corporate Governance has been approved by both the Executive and the Assembly. We are aware of the proposed revision of this guidance and will ensure our adherence throughout 2007/8.

Various individual policies comprising the Corporate Governance Framework are reviewed as part of a rolling annual programme by the Standards Committee. All changes are submitted to the Assembly for approval

The Monitoring Officer undertakes a rolling programme of checks, at the request of the Scrutiny Management Board, to test the operational effectiveness of the Scheme of Delegation and compliance with constitutional provisions such as contracts rules and to vouch for the legality and probity of decisions taken in this context. Members are reminded to notify of any changes of interests or new interests to be recorded in the Register of Members' Interests.

The Monitoring Officer vets the legal implications of all committee reports.

### Risk Management Mechanisms

Risk management is a mandatory feature of the Balanced Scorecard of each senior officer. Risk management is now integral to the management of the organisation. This is evidenced by risk assessments within capital projects, all reports and the ongoing review of risk registers. The 2006 Statement on Internal Controls advised on the progress made throughout 2005/6 in developing the risk management arrangements. During 2006/7 significant further work has been undertaken to further lead to a culture of embedded risk management:-

- Both strategic and operational risk registers have been completed, and are being reviewed, monitored and maintained on a regular basis.
- risk registers are reviewed by departmental management teams on a quarterly basis
- Risk management remains as a mandatory feature of the Balanced Scorecard of each senior officer
- The explicit consideration of risks remains a mandatory feature of all committee reports

The Council's development of risk management has contributed to the improvement in the CPA Use of Resources score and supported the Council's Corporate Assessment.

A mandatory training programme on the revised risk management process was undertaken during 2006/7, with over 250 officers from all Departments being trained. Training is in progress for Members of the Council on Risk Management and the Risk Manager has been invited to provide risk management training for one of the Council's key partnerships.

## 6. SIGNIFICANT INTERNAL CONTROL ISSUES

### External Inspections

There have been numerous recent external inspections of the Council, with regards to:-

- Supporting People
- Use of Resources (CPA)
- Fostering Services
- Waste Services
- Mental Health
- Revenue and Benefits (BVI)
- Adult Placements

Further the following best value reviews have also occurred:-

- Anti Social Behaviour
- Information and Record Keeping
- Child Adolescent Mental Health Services (CAHMS)
- High Cost Placements

Areas of strength and weakness in the delivery of these services have been identified for each of these. The full details of the findings and recommendations can be found in the relevant inspection reports. The Council has acknowledged the outcomes of these inspections and action plans are in place to make service improvements, share learning and best practice.

In addition to these service specific inspections, the council has also undergone a Corporate Assessment (CA) and a Joint Area Review (JAR) Inspection the formal results of which are being evaluated.

Full monitoring of the resultant action plans and their progress on delivery will be reported regularly to Council Boards, the Executive (where appropriate) and Corporate Management Team.

### Business Continuity Planning

The Business Continuity Planning Steering Group identified Council Services which were identified as Vital Services under Civil Contingencies Act (2004). The Act defines these services as

- Emergency management/civil protection:** Functions that underpin the authority's capability to respond to the emergency itself, and take effective action to reduce, control or mitigate the effects of the emergency.
- Impact on human welfare, the environment and security:** The significance of services to the effective functioning of the community in the event of an emergency.
- Legal implications:** Statutory requirements on Category 1 responders and the threat of litigation if a service is not delivered, or delivered adequately.
- Financial implications:** Loss of revenue and payment of compensation.
- Reputation:** Functions that impact on the credibility and public perception of a responder body.

All relevant Heads of Service have completed a Business Continuity Plan and a number of others have also been done giving around 60% of the organisation has plans in place. All plans provided have been checked and a test regime started at the beginning of April 07

**There are no other significant internal control issues.**

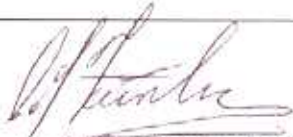
CERTIFICATION  
TO THE STATEMENT ON  
INTERNAL CONTROL IN  
THE LONDON BOROUGH OF BARKING AND DAGENHAM



CHIEF EXECUTIVE  
~~CHIEF FINANCIAL OFFICER~~

27/9/07

DATE



LEADER OF THE COUNCIL

27/9/07

DATE

## **London Borough of Barking and Dagenham**

### **Accounting Policies**

#### **1. Introduction**

- 1.1 These accounting policies are based on UK accounting standards (except where they conflict with specific statutory accounting requirements). The Council's accounts have been drawn up in accordance with these standards and fairly present the financial position and transactions of the Council.
- 1.2 The Statement of Accounts complies with the basic accounting concepts set out in CIPFA's Statement of Recommended Practices 2006 ("SORP") and the Best Value Accounting Code of Practice ("BVACOP").
- 1.3 The Statement of Accounts provides information about the Council's financial performance and position that can be used in assessing its stewardship of public funds. The financial information can be depended upon to represent the substance of the transactions and events that took place during this financial year.
- 1.4 The Statement of Accounts is prepared on an accruals basis that requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.
- 1.5 The accounts are prepared on a going concern basis and assume that the Council will continue in existence for the foreseeable future. There is no intention to curtail the scale of operations significantly.
- 1.6 The SORP requires that full requirements regarding external interests and group accounts be included in the financial statements. Barking and Dagenham examines its external interests on an annual basis and has determined that there are no material interests that would require the production of group accounts. In performing this exercise, the Council has determined that Thames Gateway London Partnership (TGLP) is a "joint committee" rather than an entity in its own right, and therefore outside of the scope of group accounts. TGLP's results have been amalgamated into the Council's Income and Expenditure account and Balance Sheet. Note 16 sets out TGLP's financial performance.

## **2. Accruals of Income and Expenditure**

### **2.1 Customer and Client Receipts**

Customer and client receipts for sales, fees, charges and rents that relate to this financial year have been accrued and accounted for. Revenue is only recognised when a 'right to consideration' exists. Payments received in advance of performance are recognised as a liability in the balance sheet.

### **2.2 Employee Costs**

The full cost of employees in 2006/07 has been charged to the year's accounts. Any significant retrospective adjustments or special payments (such as pay awards or redundancy payments) are charged or credited to the accounts with the additional amount as soon as it can reasonably be estimated.

### **2.3 Interest**

Interest income has been accrued and accounted for in this financial year. This income has been credited to the Income and Expenditure Account and the Housing Revenue Account based on the level of their respective cash balances. Interest is also credited (or debited) periodically to the delegated budgets of schools and the Adult College according to their under/overspend. Amounts are calculated using the average rate of return across the Council's investments for the year.

## **3. Supplies & Services**

The cost of supplies and services received and works completed during this financial year have been accrued and accounted for in this financial year. Accruals have been made for all sums unpaid at the year end for goods or services received or works completed.

## **4. Contingent Assets and Liabilities**

Contingent assets are not recognised in the Statement of Accounts. They are disclosed by way of a note to the accounts where the inflow of a receipt or economic benefit is probable. Similarly, contingent liabilities are not recognised in the Statement of Accounts, but disclosed in the notes to the accounts where the outflow of a payment or transfer of economic benefit is possible.

## **5. Deferred Charges**

Deferred charges represent expenditure which may be properly deferred, including expenditure that may properly be capitalised, but which does not result in or remain matched with tangible assets. An example is house renovation grants. As the Council does not control the economic benefits arising from the expenditure, 100% of these charges are written off to revenue in the year of recognition.

## 6. Intangible Fixed Assets

Expenditure on purchasing intangible fixed assets such as computer software has been capitalised at cost, and is shown separately on the balance sheet. Intangible fixed assets currently comprise computer software and are amortised over a 5 year period.

## 7. Fixed Assets

### 7.1 Recognition

Expenditure is capitalised and categorised as a fixed asset where it meets the definitions provided by statute and the SORP. To be capitalised, expenditure must yield benefits to the Council for more than one year.

### 7.2 Measurement & Revaluation

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. The cost of a fixed asset is its purchase price plus any other costs directly attributable to bringing it into a working condition for its intended use.

A *de minimis* level for the capitalisation of fixed assets of £20,000 has been used for the majority of asset valuations, with £6,000 used for vehicles.

Fixed asset valuations have been made in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors (RICS) with particular reference to guidance note 11 (Valuation of Local Authority Assets for Financial Statements). In 2006/07, a new valuer, Wilks, Head & Eve, were appointed to perform fixed asset valuations. The new valuer will inevitably take a different view on the values of certain assets on the balance sheet. In 2006/07, a number of changes to asset valuations have been made, the impact of which can be seen in note 24 to the financial statements.

The following types of assets have been valued in the balance sheet at the lower of net current replacement cost or net realisable value.

<b>Class of Asset</b>	<b>Valuation Method</b>
Council Dwellings	Depreciated Replacement Cost
Other Land & Buildings	Depreciated Replacement Cost
Vehicles, Plant & Equipment	Depreciated Replacement Cost/Existing Use Value
Community assets	Historic Cost
Infrastructure assets	Historic Cost

Investment properties have been valued at original purchase price, in accordance with UK GAAP.

Non-HRA assets in the accounts are valued on a rolling basis, with 25% of assets having been valued as at 1<sup>st</sup> April 2006. The valuer also performs an annual impairment review to ensure that the remaining non-HRA assets are not materially over-valued as at the balance sheet date. HRA assets in



these accounts are based on a valuation issued by the District Valuer as at 1<sup>st</sup> April 2005.

### 7.3 Disposals

Receipts from the disposal of fixed assets are credited to the capital receipts reserve on an accruals basis, when it is sufficiently certain that the sale will proceed. Upon disposal, the net book value of the asset is written off against the fixed asset restatement reserve.

If an asset was disposed of by an exchange for another asset, this other asset is included in the Consolidated Balance Sheet at its Fair Value (this being the value at which the asset could have been bought or sold at that time).

In accordance with the SORP, profits and losses on disposals of fixed assets are charged to the Income and Expenditure Account.

### 7.4 Depreciation

Depreciation is provided for all fixed assets with a finite useful life (determined at the time of acquisition or revaluation). For fixed assets (other than non-depreciable land and non-depreciable operational investment properties) the only grounds for not charging depreciation is that the depreciation charge is immaterial. Assets in the course of construction are stated at cost and not depreciated until brought into use.

Assets, other than land, are depreciated over their useful economic life as follows:

<b>Asset Type</b>	<b>Depreciation Method</b>
Buildings	HRA Dwellings – Following the revaluation of assets in 2004/05, it was considered that using Major Repairs Allowance (MRA) as a proxy for depreciation would materially understate HRA depreciation. Council Dwellings have therefore been depreciated on a straight line basis over 50 years.  Non-HRA Buildings - Straight line basis over their useful economic life as determined by the valuer.
Vehicles, Plant & Equipment	Straight line basis on an individual asset basis. This is generally between 5 and 10 years.
Computer Equipment	Straight line over 5 years
Infrastructure	Straight line over 20 years

Capital charges are made to service revenue accounts, central support services and trading accounts. This equates to depreciation based on the amount that the asset is included in the balance sheet, being net current replacement cost or historical cost.



## **8. Foreign Currency Transactions**

Income and expenditure arising from transactions denominated in foreign currencies are translated into Sterling at the exchange rate in operation on the date on which the transaction occurred. If rates do not fluctuate significantly during the financial year, then an average rate is used. If individual transactions were settled at a contracted rate, then that rate has been used. At the end of the financial year, monetary assets and liabilities denominated in a foreign currency (mostly for the Euro) are translated by using the closing rate or, where more appropriate, the rates of exchange under the terms of the relevant transaction.

## **9. Government Grants**

- 9.1 All revenue grants have been matched with their related expenditure. Grants provided to finance the general activities of a local authority or to compensate for a loss of income have been credited or accrued to the revenue account in this financial year.
- 9.2 Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, this amount has been credited to the Government Grants Deferred Account. In order to offset the depreciation of the asset, a credit is made to the Income and Expenditure Account over the useful life of the asset.
- 9.3 Government grants or other contributions have been accounted for on an accruals basis, and are included in the financial statements when the conditions for their receipt have been complied with, and there is reasonable expectation that the grant or contribution will be received.

## **10. Investments**

Short-term investments are included in current assets and are stated at the lower of cost or net realisable value.

Long term investments are separately identified on the face of the balance sheet, and are also held at the lower of cost and net realisable value.

## **11. Leases**

Rental payments on Operating Leases are charged to revenue on a straight-line basis over the term of the lease.

## **12. Prior Period Adjustment**

The balance sheet has been restated to reflect a movement from the capital receipts account to the capital financing account in respect of 2005/06 creditors. This has resulted in an amendment to note 43. The balance sheet has also been restated to reflect changes in accounting practices that have arisen as a result of SORP 2006, and the creation of a Statement of Total Recognised Gains and Losses. The Income and Expenditure account has been amended in 2005/06 in accordance with the SORP 2006, as detailed in note 1.

### **13. Costs of Support Services**

- 13.1 Charges or apportionments covering support service costs are made to all users, including services to the public, divisions of services, trading undertakings, capital accounts, services provided for other bodies and other support services. The costs of service management have been apportioned to the accounts in the same way, representing the activities managed.
- 13.2 The basis of the apportionments adopted has been used consistently for all users. The costs of managerial and professional services (such as architects, engineers, finance, legal and property professionals) are allocated on the basis of time spent or units of output. The cost of administrative buildings is allocated on the basis of floor areas occupied.
- 13.3 Best Value Accounting Code of Practice (BVACOP) requires the cost of service strategy and regulation of any service to the public to be allocated to a separate objective expenditure head in the accounts of that service. The costs of the corporate and democratic core and of unapportionable central overheads are allocated to a separate objective expenditure head and not apportioned to other expenditure heads.

### **14. Pension Costs**

- 14.1 The Council participates in the Local Government Pension Scheme, a defined benefit scheme, with employer and employee contributions paid into a separate Pension Fund. The amount of contributions is in line with actuarial advice and the pension costs included in the accounts have been determined in accordance with relevant government regulations. The cost of providing pensions for employees is charged to the accounts in accordance with the statutory requirements governing the pension scheme.
- 14.2 In accordance with Financial Reporting Standard No. 17 - Retirement Benefits (FRS17), the Council is required to disclose information related to pension schemes for its employees.
- 14.3 The most recent full actuarial valuation was carried out as at 31st March 2004. However, the actuary has taken into account the requirements of FRS17 to assess the liabilities of the Fund as at 31<sup>st</sup> March 2007.
- 14.4 The Council currently pays an employer's contribution of 15%, which includes an element for Pension increases for all employees in the Council's Pension Scheme. Further details can be found in Note 1 to the Pension Fund Accounts (Page 48).
- 14.5 As a result of the actuarial valuation carried out as at 31<sup>st</sup> March 2004 the employer's contribution rose in 2006/07 to 15% with a further planned increase to 16.2% in 2007/08.

- 14.6 Under the new pension accounting arrangements as set out in the 2006 Code of Practice on Local Authority Accounting in the United Kingdom 'A Statement of Recommended Practice', pension costs are now reflected within the financial accounts in the following way:
- Assets are measured at fair value;
  - Liabilities are measured on an actuarial basis using the projected unit method;
  - Liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability. The rate used for 2006/07 is 5.4% which is based on the assumed long-term rate of return on a portfolio of long-dated gilts as determined by the Government's actuary department;
  - The surplus/deficit in the scheme reflects the value of the assets over/under the present value of liabilities;
  - Current service costs are based on the actuarial valuation at 31<sup>st</sup> March 2007 which reflects current conditions;
  - The interest cost on pension scheme liabilities is based on the discount rate (4.9% 2006/07) and the present value of liabilities at 31<sup>st</sup> March 2007;
  - The expected return on assets is based on the long-term future expected investment return for each asset class;
  - Actuarial losses and gains arising during the year are the result of updating the latest actuarial valuation. Changes arise because events have not coincided with the actuarial assumptions made from the last valuation and because the actuarial assumptions have changed;
  - Past service costs are disclosed on a straight line basis over the period in which the increase in benefits rest; and
  - Settlements and curtailments are shown in full.

## **15. Provision for Bad and Doubtful Debts**

The amount carried forward for debtors has been reduced by the provision for bad and doubtful debts. Where debts are uncollectible then they have been written off.

## **16. Other Provisions**

Where the Council has an obligation that is a result of statutory provisions, contractual terms or a past event arising from the Council's actions, reasonable provision is made for any future financial liabilities and is charged to the appropriate revenue account.

Provisions are not made for either any future operating loss or for any situation where the Council anticipates it will be unable to cover future expenditure with income.

**17. Reserves**

Amounts set aside for purposes falling outside the definition of provisions are treated as reserves. They fund future projects, unplanned expenditure and irregular but recurring expenditure. Transfers to and from reserves are distinct from service expenditure shown in this Statement of Accounts and the purpose, usage and the basis of such transfers are clearly identified in the Reserves Note on page 33.

**18. Stocks and Long Term Contracts**

Revenue goods and materials (stocks) that were not consumed by the end of the year have been carried forward. Stocks are included in the Consolidated Balance Sheet at the lower of cost or net realisable value. Interim valuations have been made for long-term contracts and work in progress. They have been valued at cost. Payments received or receivable on account have been deducted in arriving at the Consolidated Balance Sheet valuation.

**19. Value Added Tax**

All transactions are shown net of any Value Added Tax, whether capital or revenue, unless for some specific reason it is irrecoverable. As in the case of all Local Authorities, the Council is able to recover a major part of Value Added Tax incurred from H.M. Revenue & Customs. Any balance due to the Council is included in the debtors figure shown in the Consolidated Balance Sheet.

**20. Capital Receipts**

The Council has been a debt free authority since 1993. Prior to 1st April 2004, the Council was able to keep 100% of its capital receipts, and use them for any purpose. From 1st April 2004, the Local Government Act 2003 came into force, and changed the regulations in respect of capital financing. The act stipulates that the Council is required to pool its future Housing Revenue Account (HRA) capital receipts at the rate of 75% for RTB sales and 50% for other HRA disposals. There were arrangements in place that entitle debt free authorities to transitional relief. As such, the Council only had to pool 25% of the amount it would have pooled from capital receipts in 2004/05. This rose to 50% in 2005/06 and was 75% in 2006/07.

The remaining 25% from HRA receipts, and proceeds from any other asset disposals can be used for any capital project.

**21. Private Finance Initiative**

PFI schemes have been accounted for in accordance with FRS 5 Application Note F: Accounting for Private Finance Initiatives, and Treasury Taskforce Technical Note 1 (Revised): How to account for PFI transactions. The Council has classified the PFI scheme at the Jo Richardson Community School and Eastbury Comprehensive as "off-balance sheet".

# INCOME AND EXPENDITURE ACCOUNT

2005/2006	SERVICE	2006/2007			
NET EXPENDITURE * As Restated		NOTES	GROSS EXPENDITURE	INCOME	NET EXPENDITURE
<b>£'000</b>			<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>CONTINUING OPERATIONS</b>	2 & 8			
3,526	Central Services to the Public		9,354	(3,513)	5,841
104	Court Services		118	0	118
26,510	Cultural, Environmental and Planning		34,574	(4,717)	29,857
125,290	Education Services		214,122	(200,624)	13,498
11,995	Highways, Roads and Transport		15,879	(3,919)	11,960
9,242	Housing Services		119,442	(108,343)	11,099
67,528	Social Services		98,318	(24,369)	73,949
5,198	Corporate and Democratic Core		5,528	0	5,528
1,742	Non Distributed Costs		4,347	0	4,347
<b>251,135</b>	<b>NET COST OF SERVICES</b>		<b>501,682</b>	<b>(345,485)</b>	<b>156,197</b>
0	Loss on disposal of fixed assets				0
(356)	Net surplus on Trading undertakings	11			(721)
7,212	Contribution of housing capital receipts to Government pool				11,177
12,945	Amounts due to - precepting authority				14,617
5,902	- levying authorities	3			6,079
(8,013)	Interest on Balances				(6,404)
2,210	Pensions interest cost and expected return on pensions asset				670
<b>271,035</b>	<b>NET OPERATING EXPENDITURE</b>				<b>181,615</b>
	<b>SOURCES OF FINANCE</b>				
(132,173)	General Government Grants				(13,209)
(55,272)	Non Domestic Rate Income				(69,179)
(57,752)	Council Taxpayers				(60,772)
<b>(245,197)</b>	<b>TOTAL REVENUE FINANCING</b>				<b>(143,160)</b>
<b>25,838</b>	<b>NET (SURPLUS) / DEFICIT FOR YEAR</b>				<b>38,455</b>

\* - The Income and Expenditure accounts have been restated in accordance with the SORP 2006. This has removed the "appropriations" section of the old Consolidated Revenue Account and created a new "Statement of Movement on the General Fund Balance". This means that £35.3m of notional charges, such as depreciation, that were previously credited back to the revenue account, now impact on the bottom line. They are reversed out of the Statement of Movement on the General Fund Balance so as not to impact on Council Tax payers.

From 2006/07, Local Authorities receive a Dedicated Schools Grant from central government which is ring-fenced for schools expenditure. This replaces previous funding through the general government grant. This explains why general government grant funding has reduced from £132m in 2005/06 to £13m in 2006/07. Education income in net cost of services is higher as a result of this change.

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Statement of Movement in General Fund Balance is an important new element of the Statement of Accounts for 2006/07. It reconciles the new Income and Expenditure account back to the surplus or deficit on the General Fund that impacts on Council Tax payers. The Income and Expenditure Account has been re-worked to ensure that all transactions, both capital and revenue, pass through it, as would be the case in a set of non-Local Authority Accounts. For example, the Income and Expenditure Account now shows depreciation as a real charge that hits the bottom line. These charges are then reversed out of this statement so as not to impact on the Council Tax payer, and to show the impact on the General Fund balance.

2005/2006		2006/2007
£'000		£'000
25,838	Deficit for the year on the Income and Expenditure Account	38,455
(22,397)	Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year <b>(see note 18)</b>	(33,464)
<b>3,441</b>	<b>Decrease in General Fund Balance for the year</b>	<b>4,991</b>
(20,360)	General Fund Balance brought forward	(16,919)
<b>(16,919)</b>	<b>General Fund Balance carried forward</b>	<b>(11,928)</b>
(3,438)	Amount of General Fund Balance held by schools under local management schemes	(7,962)
(16,919)	Amount of General Fund Balance generally available for new expenditure	(11,928)
<b>(20,357)</b>	<b>General Fund Balance and amount held by schools under local management schemes</b>	<b>(19,890)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2005/2006		2006/2007
£'000		£'000
25,838	(Surplus) / Deficit for the year on the Income & Expenditure Account	38,455
225,529	(Surplus) / Deficit arising on revaluation of fixed assets	71,002
(217)	Other movements	(272)
19,052	Actuarial (gains)/losses on pension fund assets and liabilities	(24,140)
<b>270,202</b>	<b>Total recognised (gains) / losses for the year</b>	<b>85,045</b>

The Statement of Total Recognised Gains and Losses is a new statement for 2006/07. It reconciles the total movement in net assets from last year's balance sheet date to the current balance sheet date.



# CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007

2005/2006 (RE-STATEMENT)*				NOTES	2006/2007		
£'000	£'000	£'000			£'000	£'000	£'000
			<b>FIXED ASSETS</b>				
			OPERATIONAL ASSETS				
924,056			• Council Dwellings		891,603		
314,999			• Other Land and Buildings		277,693		
8,122			• Vehicles, Plant, Furniture & Equipment		10,204		
51,513			• Infrastructure assets		54,849		
6,723			• Community assets		7,324		
	1,305,413			19,21,22 24		1,241,673	
	65,726		NON OPERATIONAL ASSETS			70,581	
		<b>1,371,139</b>	<b>TOTAL FIXED ASSETS</b>				<b>1,312,254</b>
984			• Intangible Assets	23	1,195		
0			• Deferred Charges	20	0		
2,003			• Long Term Investments	29	30,000		
14,186			• Long Term Debtors	26	14,164		
	17,173		<b>TOTAL LONG TERM ASSETS</b>			45,359	
		<b>1,388,312</b>	<b>CURRENT ASSETS</b>				<b>1,357,613</b>
436			• Stock	27	388		
54,155			• Debtors	28	66,691		
(9,475)			Less: Provision for Bad Debts		(11,446)		
153,743			• Short Term Investments	29	87,314		
51			• Cash at Bank		53		
	198,910		<b>TOTAL ASSETS</b>			143,000	
		<b>1,587,222</b>	<b>CURRENT LIABILITIES</b>				<b>1,500,613</b>
(25,821)			• Receipts in Advance	30	(27,059)		
(36,906)			• Creditors	31	(37,336)		
(14,270)			• Cash Overdrawn		(16,268)		
	(76,997)		<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			(80,663)	
		<b>1,510,225</b>	PROVISIONS	32	(8,656)		
		(7,912)	DEFERRED LIABILITIES	33	(663)		
		(679)	GOVERNMENT GRANTS DEFERRED		(68,831)		
		(56,039)	PENSIONS LIABILITY	39	(122,830)	(200,980)	
		(141,580)	<b>NET ASSETS</b>				<b>1,218,970</b>
		<b>1,304,015</b>	<b>REPRESENTED BY:</b>				
		958,490	<b>FIXED ASSET RESTATEMENT RESERVE</b>	43			864,494
		369,350	<b>CAPITAL FINANCING RESERVE</b>	43			392,385
		64,884	<b>CAPITAL RECEIPTS (USABLE)</b>	43			36,425
		51,422	<b>FINANCIAL &amp; SPECIFIC RESERVES</b>	42			43,541
		1,449	<b>MAJOR REPAIRS RESERVE</b>	42			4,955
		(141,580)	<b>PENSIONS RESERVE</b>	39			(122,830)
		<b>1,304,015</b>					<b>1,218,970</b>

\* - The balance sheet has been restated to reflect a movement from the capital receipts account to the capital financing account in respect of 2005/06 creditors. It has also been restated to reflect changes in accounting practices that have arisen as a result of SORP 2006, and the creation of a Statement of Total Recognised Gains and Losses.

# CASH FLOW STATEMENT

	2005/2006	2006/2007
<b><u>REVENUE ACTIVITIES</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>
<b><u>Cash Outflows</u></b>		
• Cash paid to and on behalf of employees	200,792	209,523
• Other Operating Costs	157,809	182,647
• Housing Benefit Paid Out	31,440	39,872
• Non Domestic Rate Payments To National Pool	41,365	49,985
• DCLG Pooling of Capital Receipts	7,212	11,177
• Precepts Paid To Other Authorities	12,945	14,618
<b>Total Cash Outflows (A)</b>	<b>451,563</b>	<b>507,822</b>
<b><u>Cash Inflows</u></b>		
• Council Tax Income (Net of Rebates)	(44,118)	(45,434)
• Non-Domestic Rates Received from National Pool	(55,272)	(69,179)
• Revenue Support Grant	(132,173)	(13,209)
• Other Government Grants	(63,323)	(198,321)
• Rents (Net of Rebates)	(25,444)	(26,164)
• DWP Grants for Rebates	(83,371)	(94,950)
• Cash Received for Goods and Services	(35,515)	(33,952)
<b>Total Cash Inflows (B)</b>	<b>(439,216)</b>	<b>(481,209)</b>
<b>Revenue Activities Net Cash Flow (A less B)</b>	<b>12,347</b>	<b>26,613</b>
<b><u>RETURNS ON INVESTMENTS</u></b>		
<b><u>Cash Inflows</u></b>		
• Interest Received	(8,775)	(6,493)
<b>Returns on investments Net Cash Flow (C)</b>	<b>(8,775)</b>	<b>(6,493)</b>
<b><u>CAPITAL ACTIVITIES</u></b>		
<b><u>Cash Outflows</u></b>		
• Purchase of Fixed Assets	77,972	71,679
• Purchase of non-LBBD Assets	2,914	1,811
• PFI Expenditure	4,561	751
	85,447	74,241
<b><u>Cash Inflows</u></b>		
• Sale of Fixed Assets	(21,546)	(22,994)
• Capital Grants & Development Grants Received	(33,497)	(30,939)
	(55,043)	(53,933)
<b>Capital Activities Net Cash Flow (D)</b>	<b>30,404</b>	<b>20,308</b>
<b>(Increase)/Decrease in Cash Equivalents (A+B+C+D)</b>	<b>33,976</b>	<b>40,428</b>

## NOTES TO THE PRIMARY STATEMENTS

### 1. Prior Period Adjustment

In the 2006/07 Statement of Accounts, the Council has adopted significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account (I & E) as prescribed in the 2006 Statement of Recommended Practice (SORP):

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts or trading accounts; and
- Credits for government grants deferred are now posted to service revenue accounts.

In addition, a number of re-alignments have taken place in respect of government grants deferred, deferred capital receipts, unfunded pension liabilities, deferred charges and accounting for specific reserves to bring the accounts into line with the 2006 SORP. A reconciliation of these movements is detailed below.

	2005/06 Original	Amend Notional interest	Credits for Govt Grants	Amend Deferred Charges	Amend Reserves	Amend Govt Grants	Unfunded Pensions Liabilities	Amend deferred capital receipts	2005/06 Revised
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Services	4,488	(875)	(46)		(15)		(27)	1	<b>3,526</b>
Court Services	104	0	0		0		0	0	<b>104</b>
Cultural, Environmental, Planning	35,024	(2,602)	(825)		(131)	(4,641)	(323)	8	<b>26,510</b>
Education	135,840	(6,906)	(229)		(533)	(2,437)	(476)	31	<b>125,290</b>
Highways, Roads, Transport	15,430	(2,478)	(803)		(50)		(107)	3	<b>11,995</b>
Housing	46,403	(33,989)	(15)	(1,895)	(326)	(663)	(276)	3	<b>9,242</b>
Social Services	68,796	(660)	(5)		(282)		(337)	16	<b>67,528</b>
Corporate & Democratic Core	5,320	(47)	0		(22)		(54)	1	<b>5,198</b>
Non-distributed	1,749	0	0		(7)		0		<b>1,742</b>
	<b>313,154</b>	<b>(47,557)</b>	<b>(1,923)</b>	<b>(1,895)</b>	<b>(1,366)</b>	<b>(7,741)</b>	<b>(1,600)</b>	<b>63</b>	<b>251,135</b>
Trading account surplus	(498)	142							<b>(356)</b>
AMRA	(49,337)	47,414	1,923						<b>0</b>

In addition, Deferred Capital Receipts of £2,476,000 have been re-positioned in the bottom half of the balance sheet (increasing net worth).

## 2. **SERVICE ANALYSIS**

The Council has analysed expenditure in accordance with the requirements of the CIPFA Best Value Accounting Code of Practice. This analysis is on a different basis to the Council's revenue budget, which is analysed by department. BVACOP aims to provide a consistent analysis across all local authorities. Details of the main services are shown below:-

### **Central Services to the Public**

- Local Tax Collection
- Registration of Births Deaths and Marriages
- Emergency Planning
- Local Land Charges

### **Court Services**

- Coroners Court

### **Cultural, Environmental and Planning Services**

- Culture and Heritage
- Recreation and Sport
- Tourism
- Library Services
- Cemeteries
- Environmental Health
- Flood Defences
- Waste Collection
- Street Cleansing
- Planning and Development

### **Education Services**

### **Highways, Roads and Transport Services**

- Transport Planning Policy and Strategy

### **Housing Services**

### **Social Services**

- Adults and Children's Social Care

### **Corporate and Democratic Core**

- Democratic Representation and Management
- Corporate Management

## 3. **LEVIES**

	<b>2005/2006</b>	<b>2006/2007</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
East London Waste Authority	5,524	5,732
Environment Agency	94	59
Lee Valley Regional Park Authority	148	150
London Pensions Fund Authority	136	138
	<b>5,902</b>	<b>6,079</b>

#### **4. PRUDENTIAL CODE FOR CAPITAL INVESTMENT**

The "Prudential Framework for Capital Investment" was introduced through the Local Government Act 2003, and came into effect on the 1<sup>st</sup> April 2004. It replaced the previous system of central government control over borrowing, and offered Councils significant freedoms to make their own capital investment plans. The Council had been a debt free authority since 1993, and under the previous regime, was able to keep 100% of its capital receipts. Under the Prudential Code, the Council is required to pool HRA capital receipts at a rate of 75% for Right to Buy receipts and 50% for other HRA receipts. There are, however, arrangements in place that entitle debt free authorities to transitional relief. As such, the Council had to pool 75% of the amount it would have pooled from capital receipts for 2006/07.

As the Council was in a debt free position and had a negative credit ceiling at 1st April 2006, it is not required to make a minimum revenue contribution for the financial year to 31<sup>st</sup> March 2007.

The Council has no outstanding commitment in respect of credit liabilities.

#### **5. SECTION 5 - PUBLICITY EXPENDITURE**

Section 5 (1) of the Local Government Act 1986 requires Authorities to keep a separate publicity account. The definition of publicity is given as any communication, in whatever form, addressed to the public. A detailed account of this expenditure is available for inspection from:-

Divisional Director of Corporate Finance  
London Borough of Barking and Dagenham,  
Civic Centre,  
Dagenham,  
Essex. RM10 7BY

	<b><u>2005/2006</u></b>	<b><u>2006/2007</u></b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Staff Advertising	1,525	1,182
Non Staff Advertising	341	311
Printing	136	123
Publicity & Publications	444	700
<b>TOTAL</b>	<b>2,446</b>	<b>2,316</b>

#### **6. AGENCY SERVICES**

The Council carries out certain work for the East London Waste Authority (ELWA) on an agency basis for which it is reimbursed. The areas of work relate to its role as clerk to ELWA, carrying out administrative and legal work on their behalf. The value of these works was £223,000 in 2006/07 (£206,000 in 2005/2006). The Council also provided services for Thames Gateway London Partnership. The value of reimbursements was £65,470 in 2006/07 (£35,000 in 2005/06).

**7. LOCAL AUTHORITIES GOODS & SERVICES ACT 1970 (WORK DONE FOR OTHER LOCAL AUTHORITIES OR PUBLIC BODIES)**

The Council carried out the following work for other local authorities or public bodies:-

	<b>2005/2006</b>	<b>2006/07</b>
	<b>£'000</b>	<b>£'000</b>
London Riverside Ltd	184	0

In 2005/06 this income related to payments made in respect of Human Resources, Financial Services and Information Technology services from London Riverside Limited. The company ceased trading on 31 March 2006 and there are no similar arrangements with London Riverside Ltd successor bodies.

**8. PENSION COSTS**

• **PENSION FUND**

In 2006/07 the Council paid an employer's contribution of £13.27 million into the Pension Fund (2005/2006 £9.89 million) representing 15% of pensionable pay. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation, the last review being 31<sup>st</sup> March 2004. However, the 2007 triennial valuation is under way. Under Local Government Pension Scheme Regulations, contribution rates are set to meet overall liabilities of the fund.

As part of the terms and conditions of employment of its officers and other employees (excluding teachers), the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to account for the payments at the time that employees earn their future entitlement. The Council therefore recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However the charge made against council tax is based on the cash payable in the year, so in order to not impact on the Council Tax the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account during the year:

	<b><u>2005/06</u></b>	<b><u>2006/07</u></b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>

<u>Net Cost of Services</u>		
• Current service cost	13,560	18,560
• Past service costs	150	220
• Curtailments and Settlements	120	1,690
<u>Net Operating Expenditure:</u>		
• Interest cost	22,940	25,030
• Expected return on assets in the scheme	(20,730)	(24,360)
<u>Amounts to be met from Government Grants and Local Taxation:</u>		
• Movement on pensions reserve	(6,150)	(7,870)
<u>Actual amount charged against council tax for pensions in the year:</u>		
• Employers' contributions payable to scheme	9,890	13,270

## 9. TEACHERS

In 2006/07 the Council paid £8.521 million (£8.087 million in 2005/06) to the Department of Education and Skills in respect of teachers' pension costs representing 13.5% of pensionable pay for April 2006 to December 2006, increasing to 14.1% of pensionable pay for January 2007 to March 2007 (13.5% in 2005/06).

## 10. DISCLOSURE OF AUDIT COSTS

In 2006/07 The London Borough of Barking and Dagenham incurred the following fees relating to external audit and inspection:

	<u>2005/06</u> <u>£'000</u>	<u>2006/07</u> <u>£'000</u>
• Fees payable to the appointed auditor with regard to external audit services.	431	404
• Fees payable to the Audit Commission in respect of statutory Inspection.	87	160
• Fees payable to the appointed auditor for the certification of grant claims and returns.	182	156
• Fees payable in respect of other services provided by the appointed auditor.	120	53
• TOTAL	<b>820</b>	<b>773</b>

Note: The Council's appointed auditor is PricewaterhouseCoopers LLP.

## 11. TRADING UNDERTAKINGS

CIPFA's *Best Value Accounting Code of Practice* defines trading operations as services provided to users on a basis other than a straightforward recharge of cost, providing services in a competitive environment. The following 9 trading units meet this definition:

	<b>Expenditure £'000</b>	<b>Income £'000</b>	<b>2006/07 Net (Income) / Expenditure £'000</b>	<b>2005/06 Net (Income) / Expenditure £'000</b>
Teachers Accommodation	197	(208)	(11)	55
Barking Market	692	(692)	0	0
Land Management	145	(1,128)	(983)	(1,211)
Eastbury House	348	(121)	227	181
Building Cleaning	3,359	(3,534)	(175)	(143)
Security	1,543	(1,666)	(123)	35
Grounds Maintenance	3,289	(3,312)	(23)	573
Other Catering	391	(304)	87	45
Castle Green (new for 2005/06)	1,526	(1,246)	280	109
<b>Total</b>	<b>11,490</b>	<b>(12,211)</b>	<b>(721)</b>	<b>(356)</b>

The final net expenditure of these trading accounts is included within the Income and Expenditure Account.

## **12. REMUNERATION OF SENIOR STAFF (INCLUDING TEACHERS)**

Details of sums paid to or receivable by senior staff, sums due by way of expenses allowances and the monetary value of any benefits received other than in cash are as follows:-

<b>2005/2006 Number of staff</b>	<b>Value Of Remuneration</b>	<b>2006/2007 Number of staff</b>
106	£50,000 to £59,999	105
38	£60,000 to £69,999	35
17	£70,000 to £79,999	24
9	£80,000 to £89,999	7
2	£90,000 to £99,999	6
3	£100,000 to £109,999	2
1	£110,000 to £119,999	2
0	£120,000 to £129,999	1
0	£130,000 to £139,999	0
1	£140,000 to £149,999	0
0	£150,000 to £159,999	0
0	£160,000 to £169,999	1

## **13. MEMBERS ALLOWANCES**



The total amount paid to councillors in 2006/07 for members' allowances was £801,290 (£745,521 in 2005/06). A report agreeing these expenses was submitted to the Council's Assembly on the 17th May 2006.

#### 14. **RELATED PARTY TRANSACTIONS**

The Code of Practice requires a disclosure of any material transactions between the Council and its related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Central government has significant influence over the Council's operations, as it is responsible for the statutory framework within which the Council operates, and provides the majority of the Council's funding. Full details of transactions with government departments are set out in note 3 to the cashflow statement.

During 2005/06, the Council carried out a comprehensive exercise to ensure that it accounts correctly for any related bodies and potential "group entities" (such as subsidiary companies). The conclusion of this work was that there were no group entities to consolidate, although the results of Thames Gateway London Partnership have been included in these accounts. This work has been reviewed again in 2006/07, and no additional group entities have been identified.

In early April 2007 all Councillors and Chief and Statutory Officers were canvassed to identify any such transactions that had taken place during 2006/07. The following Members and Senior Officers of the Council have material related party transactions with the Council:

<b>MEMBER/ OFFICER</b>	<b>VALUE OF PAYMENTS BY COUNCIL TO RELATED ORGANISATIONS</b>	<b>Value of Payments</b>
		<u>£'000</u>
Cllr G Bramley	Cllr Bramley is a Member of Barking College Corporation	491
Cllr RC Little	Cllr Little is a trustee of Broadway Theatre	483
Cllr VM Rush	Cllr Rush has interests in BASIS (Barking Aid, Support & Information Services) and East Street Youth Information Shop	95
R. Whiteman (Chief Executive)	Rob Whiteman is Managing Director of East London Waste Authority	6,318

#### 15. **BUILDING CONTROL SERVICES**

The Building Control (Local Authority Charges) Regulations 1999 gave Local Authorities Powers to set their own charges for building control activities where a charge is imposed. The charging regime became operative from 1<sup>st</sup> April 1999 and the Council is required to break even against its chargeable services over a three year consecutive period.

Building control services which do not attract charges are defined in the regulations and include activities such as dealing with dangerous structures, administration and enforcement of safety at sports grounds, entertainment licensing and general advice to Council members and the public.

The following statement shows the total cost of operating the Council's Building Control Service apportioned between chargeable and non chargeable activities. Certain activities performed by the Building Control Unit (such as providing general advice and liaising with other statutory authorities) cannot be charged for. The financial performance of the chargeable service is summarised as follows:

<u>Financial Year</u>	<u>(Surplus)/Deficit</u>
	<u>£'000</u>
2004/2005	(122)
2005/2006	(11)
2006/2007	64

<b>Expenditure</b>	<b>Chargeable £'000</b>	<b>Non Chargeable £'000</b>	<b>2006/07 Total £'000</b>	<b>2005/06 Total £'000</b>
Employee Expenses	179	109	<b>288</b>	<b>302</b>
Transport	8	5	<b>13</b>	<b>14</b>
Supplies and Services	7	4	<b>11</b>	<b>11</b>
Agency	16	0	<b>16</b>	<b>25</b>
Support	69	41	<b>110</b>	<b>116</b>
Recharges	0	12	<b>12</b>	<b>(11)</b>
<b>Total Expenditure</b>	<b>279</b>	<b>171</b>	<b>450</b>	<b>457</b>
Income from Building Regulations	(215)	0	<b>(215)</b>	<b>(282)</b>
<b>Total Income</b>	<b>(215)</b>	<b>0</b>	<b>(215)</b>	<b>(282)</b>
<b>(Surplus)/Deficit</b>	<b>64</b>	<b>171</b>	<b>235</b>	<b>175</b>

## 16. PRIVATE FINANCE INITIATIVE (PFI)

On 30<sup>th</sup> March 2004, the Council contracted with Bouygues (UK Ltd) to provide secondary school and community facilities for the Jo Richardson Community School at Castle Green Park and refurbishment works and services at Eastbury Comprehensive School under a Private Finance Initiative (PFI). The schools opened in September 2005 and provide the necessary suitable places to cater for steadily increasing pupil numbers in the borough.

The Council has classified the scheme as “off-balance sheet”. A capital contribution of £13.2m has been made which reduces the annual unitary charge payable, and is released over the life of the contract. This has been treated as a long term debtor, and is written down over the life of the scheme. The following transactions have been charged to the income and expenditure account:

	<b>£'000</b>
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet	5,517
Amortisation of PFI deferred asset	496
Build up of residual value of scheme	(356)
Contract end date 31/08/2030	

#### **17. THAMES GATEWAY LONDON PARTNERSHIP**

The Council is the accountable body to Thames Gateway London Partnership (TGLP), an unincorporated association whose objectives are to bring about high quality, sustainable economic regeneration of the whole Thames Gateway area. As TGLP is not a legal entity, it is outside the scope of group accounts. The results of the partnership have been included in the Council's accounts. A summary of the financial information for 2006/07 in respect of TGLP is included below:

	<b>2005/06 (£)</b>	<b>2006/07 (£)</b>
Total Income	(3,140,031)	(2,854,714)
Total Expenditure	2,825,415	2,851,742
<b>(Surplus)/Deficit for the year</b>	<b>(314,616)</b>	<b>(2,972)</b>
Total Assets	919,705	963,267
Total Liabilities	(330,268))	(370,858)
<b>Net Assets</b>	<b>589,437</b>	<b>592,409</b>

#### **18. NOTE TO THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:

2005/2006		2006/2007
£'000		£'000
0	Amortisation of intangible fixed assets	(231)
(13,930)	Depreciation and impairment of fixed assets	(13,476)
1,923	Government Grants deferred amortisation	2,531
(1,019)	Write down of deferred charges to be financed from capital resources	(1,158)
7,741	Write off of government grants deferred	4,500
214	PFI transactions	(107)
	Prior Year Adjustment	(160)
781	Insurance Fund	(744)
(4,550)	Net charges made for retirement benefits in accordance with FRS17	(5,390)
<b>(8,840)</b>	<b>A</b>	<b>(14,235)</b>

Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year:

£'000		£'000
1,305	Capital expenditure charged in year to the General Fund Balance	111
(63)	Deferred capital receipts	
(7,212)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(11,177)
<b>(5,970)</b>	<b>B</b>	<b>(11,066)</b>

Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year:

£'000		£'000
(784)	Housing Revenue Account	(725)
1,060	Transfer to schools balances	4,524
(7,863)	Net transfer to or from earmarked reserve	(11,962)
<b>(7,587)</b>	<b>C</b>	<b>(8,163)</b>
<b>(22,397)</b>	<b>TOTAL (A+B+C)</b>	<b>(33,464)</b>

## 19. INFORMATION ON ASSETS HELD

<b>Fixed Assets owned by the Council include the following:-</b>	<b>Number as at 31<sup>st</sup> March 2006 <small>(restated)</small></b>	<b>Number as at 31<sup>st</sup> March 2007</b>
<b>Council Dwellings</b>	19,983	19,675
<b>Operational Buildings</b>		
• Youth Service	8	6
• Conveniences	9	9
• Community Halls	18	17
• Registrars	1	1
• Office Buildings	17	18
• School Sites	45	42
• Libraries	9	9
• Sports and Other Leisure Centres	14	14
• Residential Homes, Day Centres & Children's Centres	28	22
• Museums and Galleries	2	2
• Depots and Workshops	5	2
• Cemeteries	3	3
<b>Operational Equipment</b>		
• Vehicles	29	20
• Plant	453	431
<b>Infrastructure Assets</b>		
• Highways (kilometres)	322	322
<b>Community Assets</b>		
• Parks and Open Spaces (hectares)	485	485
• Allotments	14	14
<b>Investment Properties</b>		
• Strategic Land Holdings	14	17
• Commercial Properties	113	113

## 20. **DEFERRED CHARGES**

	<b>£'000</b>
Balance 1/4/2006	0
Other Expenditure	1,858
Amounts funded by Government Grants	(700)
Amounts funded by Capital Receipts	(1,158)
<b>Total Deferred Charges 31/3/2007</b>	<b>0</b>

Expenditure on deferred charges comprises revenue expenditure which qualifies as capital for control purposes, but does not result in the creation of a fixed asset. Such items include improvement grants and non-repayable loans to housing associations.

## 21. **CAPITAL EXPENDITURE AND FINANCING**

Capital Programme expenditure for 2006/07 (including deferred charges and PFI contributions) amounted to £70.7m (£88.6m in 2005/2006).

	2005/06	2006/07
	<u>£'000</u>	<u>£'000</u>
Direct Revenue Financing/MRR	15,126	9,893
Capital Receipts – Usable	50,697	40,276
Government Grants	21,871	20,325
Other Contributions	937	181
	<b>88,631</b>	<b>70,675</b>

## 22. **CAPITAL COMMITMENTS**

Significant contractual commitments (those over £1m in value) at the 31st March 2007 were:

<b><u>SCHEME</u></b>	<b><u>£'000</u></b>
Gascoigne Primary Remodel	1,221
Warren Comp Science Block	1,626
Dagenham Park Sports Hall	2,309
Schools Modernisation Fund	3,483
	<b>8,639</b>
Of these capital commitments £7,364k are in respect of 2007/08, and £1,275k are in respect of 2008/09	

## 23. **INTANGIBLE ASSETS**

	<b><u>Computer Software</u></b>
	<b><u>£'000</u></b>
Gross Value 01.04.06	1,153
Additions	442
Disposals	0
Gross Value 31.03.07	1,595
Amortisation 01.04.06	(169)
In year amortisation	(231)
Amortisation 31.03.07	(400)
Net Value 01.04.06	984
<b>Net Value 31.03.07</b>	<b>1,195</b>

## 24. MOVEMENT OF FIXED ASSETS 2006/2007

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Investment properties	Assets Surplus to Requirements	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross Book Value at 1st April 2006</b>	942,864	333,403	18,808	61,718	6,931	51,159	1,378	13,189	1,429,450
<b>Additions (See Note 1)</b>	28,589	10,834	4,263	6,385	638	0	0	17,070	67,779
<b>Disposals</b>	(19,549)	(3,173)	(435)	0	0	0	(594)	0	(23,751)
<b>Reclassifications</b>	0	5,352	322	0	70	(21)	0	(5,723)	0
<b>Revaluations</b>	(23,065)	(47,747)	11	0	0	(6,476)	599	0	(76,678)
<b>Gross Book Value at 31<sup>st</sup> March 2007</b>	928,839	298,669	22,969	68,103	7,639	44,662	1,383	24,536	1,396,800
<b>DEPRECIATION</b>									
<b>Balance at 1<sup>st</sup> April 2006</b>	(18,808)	(18,404)	(10,686)	(10,205)	(208)	0	0	0	(58,311)
<b>Depreciation for Year</b>	(18,645)	(8,416)	(2,452)	(3,049)	(107)	0	0	0	(32,669)
<b>Disposals</b>	217	167	373	0	0	0	0	0	757
<b>Revaluations</b>	0	5,677	0	0	0	0	0	0	5,677
<b>Balance as at 31<sup>st</sup> March 2007</b>	(37,236)	(20,976)	(12,765)	(13,254)	(315)	0	0	0	(84,546)
<b>Net Book Value as at 1<sup>st</sup> April 2006</b>	<b>924,056</b>	<b>314,999</b>	<b>8,122</b>	<b>51,513</b>	<b>6,723</b>	<b>51,159</b>	<b>1,378</b>	<b>13,189</b>	<b>1,371,139</b>
<b>Net Book Value as at 31<sup>st</sup> March 2007</b>	<b>891,603</b>	<b>277,693</b>	<b>10,204</b>	<b>54,849</b>	<b>7,324</b>	<b>44,662</b>	<b>1,383</b>	<b>24,536</b>	<b>1,312,254</b>

Note 1: Additions to Fixed Assets exclude deferred charges of £1,858m which have been written-off during 2006/07, PFI contributions of £751k and intangible assets of £0.442m. Additions to Fixed Assets, deferred charges, PFI contributions and intangibles represent total capital expenditure for 2006/07 of £70.7m as shown in note 20 (page 23)

Note 2: 25% of non-Housing assets have been revalued in the year, following the appointment of a new valuer in 2006. The result of these revaluations has been to reduce the value of assets quite significantly compared to the values included in the 2005/06 balance sheet. While the overall trend has been a downward revaluation, there have been significant differences between asset classes. The valuer has confirmed that there is no indication that the remaining assets on the balance sheet are impaired.

## 25. REVALUATION OF FIXED ASSETS

25% of the Council's non-HRA assets were revalued as at the 1<sup>st</sup> April 2006 by the Council's Valuer. Housing Revenue Account assets were revalued as at 1<sup>st</sup> April 2005.

## 26. LONG TERM DEBTORS

- **Deferred Capital Receipts:-**

These are in respect of mortgages granted to former tenants who have purchased their dwellings from the Council.

	<u>2005/2006</u>	<u>2006/2007</u>
	<u>£'000</u>	<u>£'000</u>
Mortgages Outstanding 1st April	2,413	1,843
Principal Repayments During Year	(570)	(582)
New Advances during Year	0	0
<b>Mortgages Outstanding 31st March</b>	<b>1,843</b>	<b>1,261</b>

- **Other Mortgage Advances:-**

Mortgages advanced for the purchase of Private Dwellings

	<u>2005/2006</u>	<u>2006/2007</u>
	<u>£'000</u>	<u>£'000</u>
Mortgages Outstanding 1st April	72	66
Principal Repayments During Year	(6)	(20)
New Advances during Year	0	0
<b>Mortgages Outstanding 31st March</b>	<b>66</b>	<b>46</b>

- **Private Finance Initiative:-**

	<u>2005/06</u>	<u>2006/07</u>
	<u>£'000</u>	<u>£'000</u>
Outstanding 1 <sup>st</sup> April	7,857	12,277
Adjustment short term to long term	(497)	(507)
Residual value of asset	356	336
New Advances during year	4,561	751
<b>PFI Outstanding 31<sup>st</sup> March</b>	<b>12,277</b>	<b>12,857</b>
<b>TOTAL LONG TERM DEBTORS</b>	<b>14,186</b>	<b>14,164</b>

The Council has made a capital contribution with a value of £12.9m in respect of the PFI scheme for Jo Richardson School, Eastbury Comprehensive School and the Jo Richardson Children's Centre. These capital contributions are classified as long term debtors and are amortised over the life of the contract.

At the end of the 25 year contract term, the assets will transfer back to the Council at £nil cost. To recognise the true residual value of these assets, this value will be built up as a long term debtor in the Council's accounts until the asset transfers.



## 27. STOCK

	<b><u>31<sup>st</sup> March</u></b> <b><u>2006</u></b> <b><u>£'000</u></b>	<b><u>31<sup>st</sup> March</u></b> <b><u>2007</u></b> <b><u>£'000</u></b>
General supplies	256	231
Fuel	54	34
Grounds maintenance	24	22
Leisure centre stores	21	25
School meals stores	64	61
Stationary	17	15
<b>TOTAL</b>	<b>436</b>	<b>388</b>

## 28. DEBTORS

	<b><u>31<sup>st</sup> March</u></b> <b><u>2006</u></b> <b><u>£'000</u></b>	<b><u>31<sup>st</sup> March</u></b> <b><u>2007</u></b> <b><u>£'000</u></b>
Debtors	54,155	66,691
Less Bad Debt Provision	(9,475)	(11,446)
	<b>44,680</b>	<b>55,245</b>

	<b><u>31<sup>st</sup> March</u></b> <b><u>2006</u></b> <b><u>£'000</u></b>	<b><u>31<sup>st</sup> March</u></b> <b><u>2007</u></b> <b><u>£'000</u></b>
<b>Analysis:</b>		
• Government Departments	16,443	16,776
• Other Local Authorities & organisations	1,871	2,958
• Council Tax Payers	2,728	3,439
• National Non Domestic Rates	726	5,624
• Housing Rents*	1,274	793
• Employee Loans	514	440
• Prepayments	1,614	1,949
• Other	19,510	23,266
<b>TOTAL</b>	<b>44,680</b>	<b>55,245</b>

\* - This includes arrears for HRA and non-HRA housing tenants.

## 29. INVESTMENTS

The Council has total investments of £117.3m as at 31<sup>st</sup> March 2007 of which £76.8m is managed by two external fund managers. The remaining funds are managed in-house. Of this total, £30m is invested for periods over 1 year, and £87.3m is invested for periods less than one year. These have been categorised as long term and short term investments respectively.

The funds are in respect of capital receipts from council house sales together with reserves and cash balances and are managed with a view to maximising the return on investment within defined policy guidelines limiting risk. All investments are in Money Market Instruments. The Council does not have investments in any related companies.

**30. RECEIPTS IN ADVANCE**

	<b><u>31<sup>st</sup> March</u></b> <b><u>2006</u></b> <b><u>£'000</u></b>	<b><u>31<sup>st</sup> March</u></b> <b><u>2007</u></b> <b><u>£'000</u></b>
Government departments	15,131	18,980
NNDR	612	911
Council Tax	1,227	1,033
Section 106 Planning Agreements	3,849	3,676
Other	5,002	2,459
	<b>25,821</b>	<b>27,059</b>

**31. CREDITORS**

	<b><u>31<sup>st</sup> March</u></b> <b><u>2006</u></b> <b><u>£'000</u></b>	<b><u>31<sup>st</sup> March</u></b> <b><u>2007</u></b> <b><u>£'000</u></b>
Government Departments	8,472	8,894
Other Local Authorities	1,873	1,662
Housing Rents	718	691
Capital	12,735	10,814
Other	14,316	15,275
<b>TOTAL</b>	<b>38,114</b>	<b>37,336</b>

Included in "other" creditors is £5.5m in respect of Single Status and Equal Pay.

**32. PROVISIONS**

	<b><u>2005/2006</u></b> <b><u>£'000</u></b>	<b><u>2006/2007</u></b> <b><u>£'000</u></b>
Balance brought forward	8,693	7,912
Claims made	(2,199)	(2,154)
Contributions to (from) Provisions	1,418	2,898
Balance carried forward	<b>7,912</b>	<b>8,656</b>

Provisions relate to outstanding self insurance claims as determined by the Council's insurer. The expected timing of transfers of economic benefits cannot be determined.

**33. DEFERRED LIABILITIES**

Deferred liabilities of £0.663m (£0.679m 2005/06) relate to leaseholder contributions to capital works.

**34. LONG TERM BORROWING**

The Council has no long term borrowing.

**35. NET ASSETS EMPLOYED**

Net assets employed are analysed as follows:-

	<b><u>31<sup>st</sup> March</u></b> <b><u>2006*</u></b> As restated <b><u>£000</u></b>	<b><u>31<sup>st</sup> March</u></b> <b><u>2007</u></b> <b><u>£000</u></b>
General Fund & HRA	1,302,398	1,219,611
Collection Fund	(1,505)	(1,233)
Thames Gateway London Partnership	646	592
	<b>1,301,539</b>	<b>1,218,970</b>

**36. TRUST FUNDS**

The Council acts as trustee for eleven small trust funds. These funds provide education prizes and assistance to needy local residents. These balances do not form part of the Authority's consolidated balance sheet.

	<b><u>2005/2006</u></b> <b><u>£000</u></b>	<b><u>2006/2007</u></b> <b><u>£000</u></b>
Trust Fund balances at 1st April	93	97
Payments from funds during year	0	0
Income received by funds in the year	4	5
<b>Balance at 31st March</b>	<b>97</b>	<b>102</b>

The Council also holds balances on behalf of schools totalling £1.5m.

**37. CONTINGENT LIABILITIES**

The Council has been taking forward staff pay and grading reviews as part of the national agreement on Single Status. The Greater London Provincial Council job evaluation scheme was developed to support local authorities to carry out their obligations. The Council has used this scheme to carry out a detailed assessment of potential liabilities, and at the time of signing the accounts, were sufficiently far progressed to enable a creditor for the payments to be raised in the 2006/07 financial year.

**38. RESERVES AND BALANCES HELD BY SCHOOLS UNDER DELEGATED SCHEMES**

	<b><u>2005/2006</u></b>		<b><u>2006/2007</u></b>	
	<b><u>No of Schools</u></b>	<b><u>£'000</u></b>	<b><u>No of Schools</u></b>	<b><u>£'000</u></b>
Schools in Surplus	45	4,450	50	8,483
Schools in Deficit	14	(1,012)	9	(521)
<b>TOTAL</b>	<b>59</b>	<b>3,438</b>	<b>59</b>	<b>7,962</b>

The Council's 'Scheme for Financing Schools' requires that schools carrying forward deficit balances must plan to recover the deficit from the following year's budget.

Where this is not practicably possible, schools may apply to the Council for permission to set a licensed deficit budget under the terms of the scheme, which if approved, allows schools to plan to eliminate the deficit over a longer period up to a maximum of 3 years.

### 39. PENSIONS LIABILITY

The Council operates a defined benefits pension scheme. This is separate from Teachers Pensions, which are operated under a defined benefits scheme administered by the DFES. The underlying liability for retirement benefits attributable to the Council at 31 March 2007 is:

LGPS Pension Fund	<u>2004/2005</u>	<u>2005/2006</u>	<u>2006/2007</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Estimated assets in scheme	306,089	365,530	387,090
Estimated liabilities in scheme	(424,067)	(507,110)	(509,920)
<b>Net asset / (liability)</b>	<b>(117,978)</b>	<b>(141,580)</b>	<b>(122,830)</b>

The liability shows the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £122.8m has a 10% impact on the net worth of the Council as recorded in the balance sheet.

The deficit represents the full impact of future liability and asset assumptions discounted as at 31<sup>st</sup> March 2007. As the LGPS is a statutory scheme, the funding position is kept under review and any deficit will be met by local taxpayers over a period of time.

Liabilities have been assessed on an actuarial basis using the projected unit method, which is an estimate of the pensions that will be payable in future years dependant upon assumptions about mortality rates, salary levels etc.

The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, and are based on the latest full valuation of the scheme at 31<sup>st</sup> March 2004, updated for 2006/07. The main assumptions used for the purposes of FRS 17 are as follows:

<u>Liability increases:</u>	<u>31st March</u> <u>2005</u>	<u>31st March</u> <u>2006</u>	<u>31st March</u> <u>2007</u>
Discount rate	5.4% pa	4.9% pa	5.4% pa
Rate of increase in salaries	4.4% pa	4.6% pa	4.7% pa
Rate of increase in pensions	2.9% pa	3.1% pa	3.2% pa
Rate of inflation	2.9% pa	3.1% pa	3.2% pa

<u>Long-term expected rates of return on:</u>	<u>31st March</u> <u>2005</u>	<u>31st March</u> <u>2006</u>	<u>31st March</u> <u>2007</u>
Equities	7.7% pa	7.4% pa	7.8% pa
Bonds	4.8% pa	4.6% pa	4.9% pa
Property	5.7% pa	5.5% pa	5.8% pa
Cash	4.8% pa	4.6% pa	4.9% pa
Average long term expected rate of return	6.8% pa	6.6% pa	6.9% pa

## **PENSIONS LIABILITY (Continued)**

Assets are valued at fair value, principally market value for investments, and comprise:

	<b><u>31 March</u></b> <b><u>2005</u></b> <b><u>£'000</u></b>	<b><u>31 March</u></b> <b><u>2006</u></b> <b><u>£'000</u></b>	<b><u>31 March</u></b> <b><u>2007</u></b> <b><u>£'000</u></b>
Equities	198,800	252,280	255,570
Bonds	64,800	66,930	79,360
Property	33,200	39,030	43,180
Cash	9,289	7,290	8,980
<b>Total</b>	<b>306,089</b>	<b>365,530</b>	<b>387,090</b>

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31 March 2007, 31 March 2006 and 31 March 2005. This valuation differs from the value of assets in the pension fund account. The reason for this is that the FRS 17 valuation takes into account assumptions around the long term returns on equities, bonds and property, projecting forward. It is therefore not possible to draw a direct link between these values and those in the pension fund account.

### **Analysis of Total Recognised Gains and Losses:**

	<b><u>31 March</u></b> <b><u>2006</u></b> <b><u>£'000</u></b>	<b><u>31 March</u></b> <b><u>2007</u></b> <b><u>£'000</u></b>
Actual return less expected return on pension scheme assets	39,420	(6,190)
Experience gains and losses arising on the scheme liabilities	(2,622)	710
Changes in financial assumptions underlying the present value of the scheme liabilities	(55,850)	29,620
<b>Actuarial Gain / (Loss) in Pension Plan</b>	<b>(19,052)</b>	<b>24,140</b>
Increase / (decrease) in irrecoverable surplus from membership fall and other factors	0	0
<b>Actuarial Gain / Loss in STRGL</b>	<b>(19,052)</b>	<b>24,140</b>

### **Movement in Surplus / Deficit in the Year:**

	<b><u>2005/06</u></b> <b><u>£'000</u></b>	<b><u>2006/07</u></b> <b><u>£'000</u></b>
<b>(Deficit) at beginning of year</b>	<b>(117,978)</b>	<b>(141,580)</b>
Current service cost	(13,560)	(18,560)
Employer contributions	9,890	13,270
Contributions in respect of unfunded benefits	1,600	2,480
Past service costs	(150)	(220)
Impact of settlements and curtailments	(120)	(1,690)
Net return on assets	(2,210)	(670)
Actuarial gains / (losses)	(19,052)	24,140
<b>(Deficit)/ Surplus at End of the Year</b>	<b>(141,580)</b>	<b>(122,830)</b>

## **PENSIONS LIABILITY (Continued)**

### **History of Experience Gains and Losses:**

	<b><u>31 March 2006</u></b>	<b><u>31 March 2007</u></b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Difference between the expected and actual return on assets	39,420	(6,190)
Value of assets	365,530	387,090
<b>Percentage of Assets</b>	<b>10.8%</b>	<b>(1.6%)</b>
Experience gains/(losses) on liabilities	(2,622)	710
Total present value of liabilities	(507,110)	(509,920)
<b>Percentage of the Total Present Value of Liabilities</b>	<b>(0.5%)</b>	<b>0.1%</b>
Net Actuarial gains/(losses) recognised in STRGL	(19,052)	24,140
Total present value of liabilities	(507,110)	(509,920)
<b>Percentage of the Total Present Value of Liabilities</b>	<b>(3.8%)</b>	<b>4.7%</b>

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently, the valuation of the Council's retirement benefit liabilities as at 31 March 2007 does not include any allowance for this change in the pension scheme.

#### **40. EURO COSTS**

The Accounting Code of Practice requires the Council to disclose action taken with regard to the single European Currency. Work undertaken on preparation for the euro is at an early stage and therefore costs are at minimal levels. Until a decision is made as to whether the UK should adopt the euro, the expenditure on euro activities will be absorbed within existing budgetary provision. Work will not commence on areas of compliance until there is a firm decision that the UK will join the Euro.

#### **41. OPERATING LEASES**

The Council has a number of operating leasing agreements in respect of property, vehicles, plant and equipment.

In 2006/07 payments of £2.486m (2005/06 £3.000m) were made in respect of operating leases for property, vehicles and plant.

The table below analyses the payments that the Council is committed to make during the next year analysed between the year of expiry of the lease:

	<b><u>1 Year</u></b> <b><u>£'000</u></b>	<b><u>2-5 Years</u></b> <b><u>£'000</u></b>	<b><u>5+ Years</u></b> <b><u>£'000</u></b>
2007/08 rental Liabilities under operating leases	605	1,234	287

## 42. SPECIFIC REVENUE RESERVES

<u>General Fund Reserves</u>	<u>Opening balance 2006/07 £'000</u>	<u>Transfers In £'000</u>	<u>Transfers Out £'000</u>	<u>Closing balance 2006/07 £'000</u>
Repair and Renewals Reserve	1,960	60	(402)	1,618
Spend To Save Reserve	2,459	0	(307)	2,152
Service Reconfiguration Reserve	3,042	0	(1,015)	2,027
Interest Equalisation Reserve	300	0	0	300
Barking Adult College Reserve	204	31	0	235
Insurance Fund Reserve	7,639	0	(774)	6,865
Amending report Reserve	118	0	0	118
Capital and Revenue support Fund Reserve	10,000	0	(5,459)	4,541
Thames Gateway London Partnership	646	0	(54)	592
<b>Total</b>	<b>26,368</b>	<b>91</b>	<b>(8,011)</b>	<b>18,448</b>

<u>HRA Reserves</u>	<u>Opening balance 2006/07 £'000</u>	<u>Transfers In £'000</u>	<u>Transfers Out £'000</u>	<u>Closing balance 2006/07 £'000</u>
Major Repairs Reserves	1,449	13,288	(9,782)	4,955
Leasehold Repairs Reserve	3,634	924	0	4,558
Insurance Fund Reserve	178	35	0	213
<b>Total</b>	<b>5,261</b>	<b>14,247</b>	<b>(9,782)</b>	<b>9,726</b>

## 43.

## STATEMENT OF TOTAL MOVEMENTS IN RESERVES 2006/2007

	Fixed Asset Restatement Account	Capital Financing Account	Usable Capital Receipts	General Fund	Specific Reserves General Fund	HRA Working Balance	Specific Reserve HRA	Pensions Reserve	Collection Fund	LMS	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Notes</b>											
Balance as at 31.3.2006	(958,490)	(359,650)	(71,782)	(16,919)	(26,535)	(2,390)	(5,261)	141,580 <sup>2</sup>	1,505	(3,438) <sup>1</sup>	(1,301,380)
Prior Year Adjustment *		(9,700)	6,898		167						(2,635)
Balance as at 1.4.2006	(958,490)	(369,350)	(64,884)	(16,919)	(26,368)	(2,390)	(5,261)	141,580	1,505	(3,438)	(1,304,015)
Net (Surplus)/Deficit for year				4,991	7,920	725	(4,465)	(18,750)	(272)	(4,524)	(14,375)
Unrealised (Gains)/Losses on Revaluation of Fixed Assets	71,002										71,002
Effects of Disposals of Fixed Assets:											
Cost or Value of Assets Disposed	22,994										22,994
Proceeds of Disposals			(22,994)								(22,994)
Capital Financing:											
From Consolidated Revenue A/c and Reserves											(111)
From Housing Revenue Account		(9,782)									(9,782)
From Usable Capital Receipts		(111)(40,276)	40,276								0
Depreciation		32,900									32,900
Amounts payable to the Housing Capital Receipts Pool			11,177								11,177
Write out deferred charges funded by Capital receipts		1,158									1,158
Writing off Government Grants		(4,500)									(4,500)
Writing down Government Grants		(2,531)									(2,531)
Other movements		107									107
<b>Balance as at 31.3.2007</b>	<b>(864,494)</b>	<b>(392,385)</b>	<b>(36,425)</b>	<b>(11,928)</b>	<b>(18,448)</b>	<b>(1,665)</b>	<b>(9,726)</b>	<b>122,830</b>	<b>1,233</b>	<b>(7,962)</b>	<b>(1,218,970)</b>

1 – Local Management of Schools (LMS) balances represent sums delegated to Schools in accordance with the Education Reform Act 1988 not spent at 31<sup>st</sup> March 2007

2 - The actuarial gains identified as movements on the Pension Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets and liabilities at 31<sup>st</sup> March 2007: This represents the movement in actuarial gains and losses in the year. For full details of the movement between opening and closing pensions deficit, see note 20 to the balance sheet.

	2004/05		2005/06		2006/07	
	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on Assets	9,528	3.1	39,420	10.8	(6,190)	(1.6%)
Experience Gains and Losses arising on the scheme Liabilities	(4,855)	(1.1)	(2,622)	(0.5)	710	0.1%
Changes in Financial assumptions used to estimate Liabilities	(57,813)	(19.9)	(55,850)	(11.0)	29,620	5.8%
	(53,140)		(19,052)		24,140	

\* - the 2005/06 closing reserves figures have been restated for the financing of capital creditors.



**44. PURPOSE OF RESERVES**

<b>RESERVE</b>	<b>PURPOSE</b>	<b>USAGE</b>	<b>BASIS OF TRANSACTIONS</b>
<b>CAPITAL</b> <b>Fixed Asset Restatement</b>	Represents changes in the valuation of fixed assets between the time they are purchased and the latest valuation.	Cannot be used in any way to finance revenue or capital expenditure.	Transactions are based on latest valuations and disposals.
<b>Capital Financing Account</b>	To account for the cost of Capital Financing.	Cannot be used in any way to finance revenue or capital expenditure.	Transactions are based on amounts set aside to finance capital expenditure and depreciation of existing fixed assets. Largely replaces Capital.
<b>Usable and Set-aside Capital Receipts</b>	To meet the cost of Capital Expenditure for the current and future financial years.	To finance Capital Programme.	Part of year end Capital or Revenue Financing.
<b>REVENUE (SPECIFIC)</b> <b>General Reserve</b>	To meet the cost of unexpected variations on the Council's spending plans that cannot be accommodated with the overall approved budget.	To finance Revenue or Capital Programme.	Part of year end Capital or Revenue Financing.
<b>Capital &amp; Revenue Reserve</b>	To provide cover for planned Capital Expenditure should anticipated Capital Receipts fail to arise.	To finance Capital Expenditure.	Part of year end Capital Financing.
<b>Repairs and Renewals</b>	To meet the cost of replacement of specific assets at the end of their useful life.	To finance purchase of new assets.	Part of year end Capital Financing.
<b>Spend to Save Activities &amp; Service Reconfigurations</b>	To meet the cost of changes in future service provision or spend to save initiatives.	To finance Revenue or Capital expenditure.	Part of Revenue Financing.
<b>Interest Equalisation Reserve</b>	To smooth changes in interest rates on the recurring revenue budget.	To finance Revenue expenditure.	Part of year end Capital or Revenue Financing.
<b>Collection Fund Equalisation Reserve</b>	To contribute to off setting the cost of any deficit in the Council's Collection Fund.	To finance Revenue expenditure.	Part of year end Revenue Financing.
<b>Insurance</b>	To provide a contingency sum to finance potential unquantified insurance losses.	As and when appropriate.	By transfer to Provisions when value of loss is established.
<b>PENSION RESERVE</b>	The present value, based on actuarial assumptions, of pension scheme assets less liabilities. The reserve identifies the current estimated surplus/deficit of the pension scheme.	Cannot be used in any way to finance revenue or capital expenditure although employer contributions may be reduced as a result of an estimated surplus in the pension scheme.	The reserve is increased or decreased annually following the actuarial valuation of the pension scheme.
<b>REVENUE (OTHER)</b> <b>General, Housing, Collection Fund</b>	Accumulated balances.	Consideration is given to the availability of balances in overall financing options for each year.	Part of overall revenue funding.
<b>LMS</b>	Accumulated balances on Local Management of Schools in accordance with Education Reform Act 1988.	At discretion of Schools' Governing Bodies.	As part of normal revenue transactions of individual schools.

**45. RECONCILIATION OF REVENUE CASH FLOW**

	<b>2005/2006</b>	<b>2006/2007</b>
	<b>£'000</b>	<b>£'000</b>
(Surplus)/Deficit per Income and Expenditure Account	3,441	4,991
(Surplus)/Deficit per Housing Revenue Account	784	725
(Surplus)/Deficit per Collection Fund	(213)	(272)
<b>NET (SURPLUS)/DEFICIT</b>	<b>4,012</b>	<b>5,444</b>
Interest	8,775	6,493
<b>Non Cash Transactions:</b>		
Contribution (to) from Provisions	781	(744)
Contribution (to) from Reserves	419	(1,069)
Contribution to Capital	(1,305)	(111)
(Increase)/Decrease in Creditors	(7,423)	(2,381)
Increase/(Decrease) in Debtors	4,499	6,499
Other Movements	2,589	12,482
<b>Revenue Activities Net Cash Flow</b>	<b>12,347</b>	<b>26,613</b>

**46. MOVEMENT IN CASH & CASH EQUIVALENTS**

	<b>As at 31<sup>st</sup> March 2006</b>	<b>As at 31<sup>st</sup> March 2007</b>	<b>Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loan Investments	155,746	117,314	38,432
Cash at Bank	51	53	(2)
Cash Overdrawn	(14,270)	(16,268)	1,998
<b>Net Cash Outflow/Inflow</b>	<b>141,527</b>	<b>101,142</b>	<b>40,428</b>

**47. ANALYSIS OF GOVERNMENT GRANTS ETC.**

	<b>2005/2006</b>	<b>2006/2007</b>
	<b>£'000</b>	<b>£'000</b>
Revenue Support Grant	132,173	13,209
DWP Grants for Rebates:		
• Tenants' Rent Allowance	25,912	31,006
• Tenants Rent Rebates	39,579	44,815
• Council Tax Benefit Subsidy	15,873	17,092
• Housing Benefit Administration	1,164	1,182
• Council Tax Benefit Administration	843	855
	83,371	94,950
Other Revenue Grants:		
• Education & Libraries	31,511	172,413
• General Purposes	1,150	931
• Social Services	18,256	9,033
• Housing and Health	1,891	2,606
• Single Regeneration Budget (SRB)	10,515	13,338
	63,323	198,321
Capital Grants:		
• Transport For London	3,058	2,820
• Dept of Communities and Local Gov.	0	2,055
• Dept of Work and Pensions	850	587
• Local Performance service agreement	0	1,670
• Office of the Deputy Prime Minister	7,064	192
• Dept. for Education and Science	2,686	3,766
• London Development Agency	0	440
• SRB/Lottery Grants	542	2,880
• Children's Centre Capital Grant	1,740	0
• Developer Contribution	475	671
• Sure Start	791	2,229
• MRA	13,734	13,288
• Thames Gateway Development Council	1,376	1,199
• Enterprise Training & Skills Council	692	0
• DEFRA	0	570
• Local Enterprise Growth Initiative	0	149
• PCT	188	340
• Other	301	57
	33,497	32,913
	<b>312,364</b>	<b>339,393</b>

## HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) includes all transactions relating to the provision, management and maintenance of the Council's housing stock. The Account is ring-fenced in accordance with the Local Government Act 1989 which means that no transfers to or from the General Fund are permitted, except in certain exceptional circumstances.

The Accounts are prepared on a resource accounting basis which brings them in line with Registered Social Landlords (RSL). They reflect more accurately the true cost of providing the service and show the cost of capital assets employed in housing.

<b>2005/2006</b> <b>RESTATED *</b>			<b>Notes</b>	<b>2006/2007</b>	
<b>£'000</b>	<b>£'000</b>			<b>£'000</b>	<b>£'000</b>
		<b>INCOME</b>			
(65,225)		Dwelling Rent	9	(67,263)	
(2,302)		Non Dwelling Rents		(2,669)	
(4,400)		Other income		(4,140)	
(1,058)		Contributions towards Expenditure		(1,005)	
	<b>(72,985)</b>	<b>TOTAL INCOME</b>			<b>(75,077)</b>
		<b>EXPENDITURE</b>			
21,156		Repairs & Maintenance	10	22,175	
24,484		Supervision & Management		26,105	
885		Rent, Rates, Taxes & Other Charges		155	
8,238		Negative HRA Subsidy Payable	6	10,932	
4,699		Negative HRA Subsidy Transferable to General Fund under Transitional Arrangements		3,283	
19,815		Depreciation & Impairment of Fixed Assets	10	19,185	
568		Increase in Bad Debt Provision		533	
	<b>79,845</b>	<b>TOTAL EXPENDITURE</b>			<b>82,368</b>
	<b>6,860</b>	<b>NET COST OF HRA SERVICES PER AUTHORITY INCOME &amp; EXPENDITURE ACCOUNT</b>			<b>7,291</b>
	750	HRA Services Share of Corporate & Democratic Core			750
	<b>7,610</b>	<b>NET COST OF HRA SERVICES</b>			<b>8,041</b>
	(1,754)	Interest & Investment Income			(1,588)
	<b>5,856</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES</b>			<b>6,453</b>

\* - The Housing Revenue Account has been restated in accordance with the 2006 SORP.

## STATEMENT OF MOVEMENT ON THE HRA BALANCE

2005/2006		2006/2007
£'000		£'000
5,856	(Surplus)/Deficit for the year on the HRA Income & Expenditure Account	6,453
(5,072)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(5,728)
<b>784</b>	<b>(Increase) or Decrease in the HRA Balance</b>	<b>725</b>
<b>(3,174)</b>	<b>Housing Revenue Account Surplus B/F</b>	<b>(2,390)</b>
<b>(2,390)</b>	<b>Housing Revenue Account Surplus C/F</b>	<b>(1,665)</b>

### NOTES TO THE HOUSING REVENUE ACCOUNT

#### 1. STATEMENT OF MOVEMENT ON THE HRA BALANCE

2005/2006		2006/2007
£'000		£'000
	<b>Items not included in the HRA Income &amp; Expenditure Account but included in the movement on HRA Balance for the Year</b>	
(6,081)	Transfer To/From Reserves	(5,745)
	<b>Employers Contribution Payable to the Pension Fund &amp; Retirement Benefits Payable direct to Pensioners</b>	
1,009	Capital Expenditure Funded by the HRA	17
<b>(5,072)</b>	<b>Net additional amount required by Statute to be debited or (credited) to the HRA Balance for the Year</b>	<b>(5,728)</b>

## 2. COUNCIL HOUSING STOCK

	Houses	Flats	31 <sup>st</sup> March 2007 Total	31 <sup>st</sup> March 2006 Total
One Bedroom	215	4,789	5,004	5,101
Two Bedroom	5,174	3,132	8,306	8,452
Three Bedroom	4,290	1,905	6,195	6,260
More than Three Bedrooms	150	20	170	170
<b>Total</b>	<b>9,829</b>	<b>9,846</b>	<b>19,675</b>	<b>19,983</b>

During the year 228 properties were sold under the Right to Buy legislation. The above figures exclude the hostel at Thompson Road which provides 7 units and the Council's proportion of shared ownership properties. During 2006/07 the council also sold its share in 76 Cartwright Road.

## 3. RENT ARREARS

	31 <sup>ST</sup> March 2006 £'000	31 <sup>ST</sup> March 2007 £'000
Current Tenants	2,366	2,506
Past Tenants	1,034	1,069
<b>Total Housing Tenants</b>	<b>3,400</b>	<b>3,575</b>
Commercial Rents	1,389	1,498
<b>Total Rent Arrears</b>	<b>4,789</b>	<b>5,073</b>
<b>Provision For Bad Debts</b>	<b>2,716</b>	<b>2,624</b>

These arrears exclude rates collected on behalf of Essex & Suffolk Water.

## 4. ASSET VALUATIONS

The assets of the HRA are valued as follows:

<u>Fixed Assets Operational</u>	<u>31st March 2006</u> £'000	<u>31st March 2007</u> £'000
Council Dwellings	924,056	891,603
Other Land And Buildings	12,875	8,035
Non Operational Fixed Assets	22,996	21,563
<b>TOTAL ASSET VALUATIONS</b>	<b>959,927</b>	<b>921,201</b>

Asset valuations are stated at Net Book Value. The Housing Revenue Account stock was revalued as at the 1<sup>st</sup> April 2005.

The vacant possession value of dwellings at 31<sup>st</sup> March 2007 was £921.2m (31<sup>st</sup> March 2006 £959.9m). In accordance with Government guidelines, dwellings have been valued at their "existing use with vacant possession" and then reduced to reflect "existing use for social housing". This social housing use value is included in the Consolidated Balance Sheet. The reduction is a measure of the economic cost to Government of providing council housing at less than open market rents.

## 5. MAJOR REPAIRS RESERVE (MRR)

The major repairs allowance account is as follows:

	<u>2005-06</u> £'000	<u>2006-07</u> £'000
Opening Balance 1 <sup>st</sup> April	1,604	1,449
Contributions During Year	6,081	5,822
Major Repairs Allowance	13,734	13,288
Expenditure Incurred During Year	(13,889)	(9,782)
Contribution towards depreciation charge	(6,081)	(5,822)
Closing Balance 31 <sup>st</sup> March	1,449	4,955

The government provides funding for major housing capital works through the major repairs allowance. The total received in 2006/07 was £13.3m.

## 6. HOUSING SUBSIDY

The negative subsidy payable to Central Government from the HRA for 2006/07 can be broken down as follows:

<u>2005-2006</u>			<u>2006-2007</u>	
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
38,148		Notional Management and Maintenance	39,923	
13,734		Major Repairs Allowance	13,288	
	51,882			53,211
(58,986)		Notional Rent	(63,153)	
(1,134)		Interest On Credit Ceiling	(990)	
	(60,120)			(64,143)
	(8,238)	Subsidy payable to DCLG		(10,932)

## 7. CAPITAL RECEIPTS GENERATED

The capital receipts generated are as follows:

	<u>2005-06</u> £'000	<u>2006-07</u> £'000
Right to Buy receipts	19,850	19,694
Mortgage principal repayments	570	580
Sales of HRA land	96	0
Expenditure incurred during year	(7,212)	(11,177)
	13,304	9,097

## 8. SUMMARY OF HRA CAPITAL EXPENDITURE

<u>2005-06</u> <u>£'000</u>	<u>Expenditure</u>	<u>2006-07</u> <u>£'000</u>
2,249	Shape UP For Homes	0
32,086	Major Repairs Programme	27,689
9	Padnall Green	17
600	Disabled Adaptations	900
34,944	Total Capital Expenditure	28,606
	<u>Financed By</u>	
17,366	Usable Capital Receipts	18,626
1,009	Revenue Contributions	17
13,889	Major Repairs Reserve	9,782
664	Other contributions	181
(3,290)	Amounts financed for previous years	0
5,306	Amounts not yet financed	0
34,944	Total	28,606

## 9. HOUSING RENTS

Rents are calculated in accordance with Central Government's Rent Restructuring policy. The intention is that all Local Authorities and Registered Social Landlords' rents converge by 2012 so that similar properties in similar areas have similar rents. In order to achieve this, formula and transitional rents have been set by DCLG.

For 2006/07, the following were the relevant average rents:

	<u>2005/06</u>	<u>2006/07</u>
	<u>£</u>	<u>£</u>
Formula (target) rent	67.81	69.98
Transitional rent	63.01	66.08
Actual rent	62.99	65.39

The average rent increase was £2.07 from 3<sup>rd</sup> April 2006.

## 10. DEPRECIATION

<u>2005/2006</u>		<u>2006/2007</u>
<u>£'000</u>		<u>£'000</u>
19,272	HRA Dwellings	18,645
543	Operational Assets	540
0	Non-operational assets	0
<b>19,815</b>	<b>TOTAL</b>	<b>19,185</b>

The revaluation of Council Dwelling as at the 1<sup>st</sup> April 2004 led to a significant increase in the value of HRA assets. As such, it was not considered that the MRA is a suitable proxy for depreciation from that point on. From 2004/05, HRA dwellings have been depreciated on a straight line basis over 50 years. In accordance with CIPFA's Statement of Recommended Practice ("SORP"), this charge has been reversed out after net cost of service, so there is no impact on housing rents.



## THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT 2006/2007

2005/2006			NOTES	2006/2007	
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>	
		<b><u>INCOME</u></b>			
(43,082)		Net Income receivable from Council Tax	2	(45,431)	
(15,794)		Transfers from the General Fund:- Council Tax Benefits		(17,110)	
(41,764)		Income collectable from Business Ratepayers		(44,510)	
(98)		Transfers from General fund:- Discretionary relief		(118)	
(1,128)		Contribution to previous year deficit	4	(1,226)	
	(101,866)	<b>TOTAL INCOME</b>			(108,395)
		<b><u>EXPENDITURE</u></b>			
58,636		Precepts	3	61,729	
41,201		Business Rate:- Payment to National Pool	5	44,167	
320		Costs of Collection		224	
1,668		Bad and Doubtful Debts/Appeals:- Write offs		1,460	
(172)		Provisions		543	
	101,653	<b>TOTAL EXPENDITURE</b>			108,123
	213 (1,718)	<b>(DEFICIT)/SURPLUS Balance at 1st April 2006</b>			272 (1,505)
	<b>(1,505)</b>	<b>Balance at 31st March 2007</b>			<b>(1,233)</b>

## NOTES TO THE COLLECTION FUND ACCOUNT

### 1. GENERAL

This account reflects the statutory requirement for the Council to maintain a separate Collection Fund. This shows the transactions of the Council in relation to non-domestic rates, council tax and residual community charges and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with other accounts of the Council. Council Tax is shown net of benefits, discounts for prompt payments and transitional relief.

### 2. COUNCIL TAX

The Council levied a Council Tax of £1,218.76 for a Band 'D' property in 2006/2007 comprising:-

	<b>£ p</b>
London Borough of Barking and Dagenham	930.15
Greater London Authority	288.61
	1,218.76

The taxbase used to determine this figure was Band 'D' equivalent properties calculated as follows:-

BAND	NUMBER OF PROPERTIES IN BANDS	BAND 'D' EQUIVALENT PROPERTIES
<b>A</b>	5,538.00	3,691.6
<b>B</b>	8,370.00	6,510.0
<b>C</b>	36,155.50	32,138.2
<b>D</b>	7,135.75	7,135.8
<b>E</b>	1,545.00	1,888.3
<b>F</b>	294.00	424.7
<b>G</b>	41.25	68.8
<b>H</b>	4.00	8.0
	<b>59,083.50</b>	<b>51,865.4</b>

Allowance was made for additions to the list during the year and a non-collection rate of 3.0% which reduced the above figure to **50,648.4** Band 'D' equivalent properties.

### 3. **PRECEPTING AUTHORITIES**

The precepts levied on the Collection Fund in 2006/2007 were as follows:-

	<b><u>2005/2006</u></b> <b><u>£'000</u></b>	<b><u>2006/2007</u></b> <b><u>£'000</u></b>
London Borough of Barking and Dagenham	45,691	47,111
Greater London Authority	12,945	14,618
	<b>58,636</b>	<b>61,729</b>

### 4. **SURPLUS / DEFICIT TRANSFERRED**

This figure represents the transfer of the estimated deficit on the Council Tax Collection Fund account as at 31<sup>st</sup> March 2007 to the London Borough of Barking and Dagenham's General Fund and to the Greater London Authority in 2006/2007.

Any surplus or deficit on the Collection Fund is required to be taken into account in the Council's future budget setting process:

The table below summarises this position:

	<b>2005/06</b> <b>£'000</b>	<b>2006/07</b> <b>£'000</b>
Surplus/(Deficit)	(1,505)	(1,233)
Provision made in:		
- 2006/07 budget	(1,226)	0
- 2007/08 budget	0	(1,265)
Additional provision to be made in:		
- 2007/08	(279)	
- 2008/09	0	32
Total Surplus/(Deficit) to be provided for in future budget setting process	(1,505)	(1,233)

### 5. **NATIONAL NON DOMESTIC RATES (NNDR)**

Under the arrangements for Uniform Business Rates, the Council collects rates in the Borough based on rateable values which are assessed by the District Valuer, multiplied by a uniform rate in the pound which is set each year by the Government.

The total proceeds, less certain relief's and allowances are paid into a central pool managed by the Government and these in turn are redistributed to local authorities as a standard amount per head of relevant population.

The Council's contribution to the pool has been calculated as follows:-

	<u>2005/2006</u> <u>£'000</u>	<u>2005/2006</u> <u>£'000</u>	<u>2006/2007</u> <u>£'000</u>	<u>2006/2007</u> <u>£'000</u>
Amount due from ratepayers net of transitional, mandatory and empty property relief		41,898		44,678
<b>Less</b> Amount of additional discretionary relief granted chargeable to pool	(42)		(50)	
<b>Less</b> Cost of Collection Including Interest Provision for Bad Debts And Write-offs	(320)		(224)	
	(335)	(697)	(237)	(511)
<b>Contribution to Pool</b>		<b>41,201</b>		<b>44,167</b>

The contribution received from the pool in 2006/2007 was £69.2m and this was credited direct to the Council's General Fund.

<b>The Rateable value at 31st March 2007 was</b>	<b>£119,144,608</b>
<b>The Uniform rate in the pound (or multiplier) for 2006/2007 for premises with rateable values below £21,500 was</b>	<b>44.1</b>
<b>The Uniform rate in the pound (or multiplier) for 2006/2007 for premises with rateable values above £21,501 was</b>	<b>44.4</b>

## PENSION FUND ACCOUNT

2005/2006			2006/2007	
£'000	£'000	<b>Contributions and Benefits</b>	£'000	£'000
10,462		Contributions receivable:	15,903	
1,782		• from employers (administering body)	2,138	
1,494	13,738	(scheduled bodies)	1,503	19,544
5,268		(admitted bodies)	5,621	
925		• from employees (administering body)	968	
626	6,819	(scheduled bodies)	591	7,180
	6,771	(admitted bodies)		5,182
	27,328	Transfers in		31,906
		<b>Total Contributions (A)</b>		
		Benefits payable:		
13,318		• Pensions (administering body)	13,898	
1,742		(scheduled bodies)	1,844	
277	15,337	(admitted bodies)	451	16,193
2,180		• Lump sums (administering body)	3,401	
235		(scheduled bodies)	576	
424	2,839	(admitted bodies)	1,378	5,355
		Payments to and on account of leavers		
61		• Refunds of contributions	15	
4,228		• Transfers out	3,380	
490	4,779	• Administrative and other expenses	542	3,937
	22,955	<b>Total Payments (B)</b>		25,485
	<b>4,373</b>	<b>Net Income (withdrawals) (A less B)</b>		<b>6,421</b>
		<b>Returns on investments</b>		
11,649		• Investment income	13,134	
86,407		• Change in market value of investments (realised and unrealised)	14,893	
(1,521)		• Investment management expenses	(1,798)	
	<b>96,535</b>	<b>Net returns on investments</b>		<b>26,229</b>
	<b>100,908</b>			<b>32,650</b>
14,501		Net new money invested	17,757	
64,666		<i>Change in market value of investments:</i>		
21,741		Net realised profits/(losses)	15,308	
	<b>100,908</b>	Net unrealised profits/(losses)	(415)	
		<b>Net increase/(decrease) in the fund during the year</b>		<b>32,650</b>
	396,878	Opening net assets at 1 <sup>st</sup> April 2006		497,786
	<b>497,786</b>	<b>Closing Net Assets At 31st March 2007</b>		<b>530,436</b>

**PENSION FUND  
NET ASSETS STATEMENT**

<b>31st March 2006</b>			<b>31<sup>st</sup> March 2007</b>	
<b><u>£'000</u></b>	<b><u>£'000</u></b>		<b><u>£'000</u></b>	<b><u>£'000</u></b>
		<b>INVESTMENT ASSETS</b>		
37,622		Fixed Interest Securities – Public Sector	40,282	
101,948		U.K. Equities – quoted	110,897	
200,103		Foreign Equities	208,750	
8,011		Foreign Fixed Interest Securities	589	
52,739		Managed Funds – Property	57,413	
82,892		Managed Funds – Other	95,413	
5,120		Short Term Investments	4,930	
	488,435			518,274
		<b>CURRENT ASSETS</b>		
4,491		Debtors	7,629	
8,898		Cash	16,899	
	13,389			24,528
		<b>CURRENT LIABILITIES</b>		
	(4,038)	Creditors		(12,366)
	<b>497,786</b>	<b>TOTAL NET ASSETS</b>		<b>530,436</b>

**NOTES TO THE PENSION FUND ACCOUNTS**



**1. OPERATIONS AND MEMBERSHIP**

The Fund is established under the provisions of the Superannuation Act of 1972 to provide pensions and other retirement benefits for the Council's employees, other than teachers, and the Scheduled and Admitted Bodies detailed below. The employees' basic contributions are 5% of remuneration for manual workers and 6% for officers. All new employees joining since 1<sup>st</sup> April 1998 make contributions at 6%. The Employers make a contribution as determined by the Actuary, who makes a valuation of the Fund every three years. The latest valuation took place as at 31<sup>st</sup> March 2004 and is effective from 1<sup>st</sup> April 2005 (see note 3). The 2007 valuation is in progress. The employer's contributions are:-

EMPLOYER	Minimum Contribution for the year ending		
	31/3/06	31/3/07	31/3/08
<b>Administering Body</b>			
• London Borough of Barking & Dagenham	12.0%	15.0%	16.2%
<b>Scheduled Body</b>			
• University of East London	11.9%	11.9%	13.5%
<b>Admitted Bodies:</b>			
• Barking College	10.0%	12.0%	13.8%
• Barking Council for Voluntary Services	8.0%	8.0%	8.0%
• Age Concern	11.0%	14.0%	17.5%
• Abbeyfield Barking Society	11.0%	14.0%	17.1%
• Disablement Association for Barking & Dagenham	10.5%	10.5%	10.5%
• Barking & Dagenham Citizens Advice Bureau	10.5%	10.5%	10.5%
• London Riverside	10.5%	10.5%	10.5%
• Thames Accord	16.4%	16.4%	16.4%
• East London E-Learning	N/A	11.5%	11.5%

\*includes any early retirements costs based on the methods and assumptions issued by the Council's actuary.

<b>Membership Numbers</b>			
	Actives	Pensioners	Deferred
• London Borough of Barking & Dagenham	4,346	3,414	2,270
• University of East London	572	506	521
• Magistrates Court	0	10	12
• Barking College	205	74	113
• Barking Council for Voluntary Services	0	0	3
• Age Concern	36	37	13
• Abbeyfield Barking Society	2	3	0
• Disablement Association for Barking & Dagenham	0	0	0
• Barking & Dagenham Citizens Advice Bureau	2	0	3
• London Riverside	0	2	8
• Thames Accord	139	45	35
• East London E-Learning	6	0	0
<b>TOTAL</b>	<b>5,308</b>	<b>4,091</b>	<b>2,978</b>

## 2. ACCOUNTING POLICIES

- (i) **Investment Valuation** - All investments are shown at their market value, which is determined using closing mid market prices from an independent pricing source.
- (ii) **Accruals Basis** - The accounts are prepared on an accruals basis. Any material transactions that were found to be for this financial year which arose or were received after the end of the year are enclosed in these pension financial statements.
- (iii) **Transfer Values** - are included in the accounts on a cash basis.
- (iv) **Foreign Currency Translation** - The valuation of foreign equities is calculated by using the overseas market price current at the relevant date and the exchange rate for the appropriate currency at the time to express the value as a sterling equivalent.
- (v) **Costs of Acquiring Investments** – these costs are included in the value of the assets.
- (vi) **Investment Management Expenses** – Fees charged for the investment and custodial arrangements of the fund.
- (vii) The Pension Fund accounts have been prepared in accordance with the accounting recommendations of the Financial Reports of the Pension Schemes – a Statement of Recommended Practice. However, disclosures have been limited to those required by the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice.

## 3. ACTUARIAL POSITION

The triennial review of the fund took place as at 31<sup>st</sup> March 2004 and the salient features of that review were as follows:-

- The funding policy of the scheme is to meet 100% of the liabilities
- The key financial assumptions adopted at this valuation are:-
  - Future levels of price inflation.
  - Future levels of real pay increases-i.e. over and above price inflation.
  - The discount rate applied to future liabilities to determine their present value.
  - The market values of the pension scheme's assets at the date of the valuation were: £360million. There has not been a review of the market values since this valuation.

The discount rate is derived from the expected future rate of investment return from the broad categories of assets held by the fund. This takes into account what additional returns might reasonably be expected from the fund's investments over and above the minimum risk rate of return on Government bonds.



The key financial assumptions are set out below:

Financial assumptions	Nominal % p.a.	Real % p.a.
Minimum Risk Rate of Return	4.7	1.8
Additional long-term returns from:		
• Equities	2.0	
• Corporate Bonds	0.4	
Overall additional long-term returns from:		
• Equities	6.7	3.8
• Bonds (50% Corporate, 50% Gilts)	4.9	2.0
Discount Rate	6.3	3.4
Pay Increases	4.4	1.5
Price Inflation/Pension Increases	2.9	

Note: The real % p.a. figures are net of assumed price inflation.

The Common rate of contribution payable by each employing authority under Regulation 77 for the period 1<sup>st</sup> April 2005 to 31<sup>st</sup> March 2008 is 15.8% of pensionable pay.

A comparison of the value of the assets with the value of the liabilities for the whole of the administered scheme as at 31/3/2004 which have already built up is shown in the following table:-

Past Service Liabilities	£m
Active Members	193
Deferred Pensioners	48
Pensioners	175
<b>Total</b>	<b>416</b>
Assets	360
Surplus/(Deficit)	(56)
Funding Level	87%

Employer Contribution Rates	%of payroll
Future Service Funding Rate	12.2%
Past Service Adjustment	3.6%
Total Contribution Rate	15.8%

The financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

#### **4. PURCHASE AND SALE OF INVESTMENTS**

During the year the Fund purchased investments totalling £345.4 million and sold investments at a price of £330.2 million, including net realised profit of £15.3 million.

#### **5. FUND MANAGERS**

The assets of the Council's pension fund are managed by the following Investment managers

<b>Manager</b>	<b>Value of fund £,000</b>	<b>%</b>
Aberdeen Asset Management	115,294	22
Alliance Bernstein	172,420	33
Goldman Sachs	173,262	32
RREEF	58,941	11
Internal	10,519	2
<b>Total</b>	<b>530,436</b>	<b>100</b>

#### **6. STOCK RELEASED TO THIRD PARTIES**

The fund is involved with a stock lending agreement via its custodians. As at 31<sup>st</sup> March 2007 £26.03m of stock was lent to counterparties with 102.5% collateral exposure.

#### **7. STATEMENT OF INVESTMENT PRINCIPLES**

A Statement of Investment Principles has been agreed by the Council's Investment panel and is updated periodically to reflect changes made in Investment Management arrangements. Copies can be obtained from the Authority's Web site: [www.lbbd.gov.uk](http://www.lbbd.gov.uk)

#### **8. FURTHER ANALYSIS OF INVESTMENTS**

The Council is required to disclose a further analysis of the investments between UK and Foreign, and between Listed and Unlisted investments. This information is included in the Net Assets Statement on Page 47.

#### **9. RELATED PARTY TRANSACTIONS**

Material Transactions between the LBBB Pension Fund and London Borough of Barking and Dagenham, in respect of pension administration costs, investment monitoring and other services amounted to £392,976 (2005/06 £382,815).

**10. ADMINISTRATIVE AND OTHER EXPENSES**

	2005/06 £'000	2006/07 £'000
Administrative and Processing	422	432
Actuarial Fees	9	16
Legal and other Professional Fees	59	94
Total	490	542

**11. POST BALANCE SHEET EVENTS**

In the first two months after the year end, there were transfers out of the fund amounting to £605k.

# **Independent Auditors' Report to the members of the London Borough of Barking and Dagenham**

We have audited the financial statements of the London Borough of Barking and Dagenham for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise of the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund, the Pension Fund Account and Net Assets Statement and the related notes. The financial statements have been prepared under the accounting policies set out within them.

## **Respective Responsibilities of the Chief Financial Officer and Auditors**

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities for the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

This report, including the opinion, has been prepared for and only for the London Borough of Barking and Dagenham members as a body in accordance with the Audit Commission Act 1998 and for no other purpose as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Council and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects the Council's compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only of the Explanatory Foreword. We consider the implications for our

report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

### **Opinion**

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006:

- the financial position of the London Borough of Barking and Dagenham as at 31 March 2007 and its income and expenditure and cash flows for the year then ended; and
- the financial transactions of the pension fund during the year ended 31 March 2007, and the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
80 Strand  
London  
WC2R 0AF

27 September 2007

**Notes:**

- (a) The maintenance and integrity of the London Borough of Barking and Dagenham's website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
  
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### ***Council's Responsibilities***

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarising the Council's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### ***Auditor's Responsibilities***

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Council's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### ***Conclusion***

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, in all significant respects, the London Borough of Barking and Dagenham made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007

### **Best Value Performance Plan**

We issued our statutory report on the audit of the Council's best value performance plan for the financial year 2006/07 in December 2006. We did not identify any matters

to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

We have carried out the audit of financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. The audit cannot be formally concluded and an audit certificate issued until our review of matters drawn to our attention by an elector has been formally completed. We are satisfied that the amount which is the subject of the objection will not have a material effect on the financial statements.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
80 Strand  
London  
WC2R 0AF

*27* September 2007



**SIGNATURE OF THE CHAIRMAN OF THE ASSEMBLY TO THE  
APPROVAL OF THE 2006/2007 STATEMENT OF ACCOUNTS**

This Statement of the Council's accounts for 2006/2007 was approved by the Council's Assembly on 27<sup>th</sup> June 2007



# Glossary of Terms

## Term

## Definition

Accounting Policies

The rules and practices adopted by the authority that dictate how transactions and events are shown or costed.

Accruals

Amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31<sup>st</sup> march.

Actuarial Valuation

A review carried out every three years, by the actuary, on the assets and liabilities of the pension fund. The actuary reports to the council on the funds financial position and recommended employers contribution rates.

Actuary

One who makes calculations for pensions and insurance purposes.

Appropriation

The assignment of revenue to a specific purpose.

Band Proportions

The relation that Council Tax property band bears to the 'standard' Band D tax. The band proportions are expressed in ninths and are specified in the Local Government Finance act 1992 as A-6, B-7, C-8, D-9, E-11, F-13, G-15, H-18. This means that band A is six ninths of Band D, and so on.

Billing Authority

A district, unitary or London Borough council, or the council of the Scilly isles. The billing authority is responsible for levying and collecting the council tax in its area.

Budget	A forecast of the Borough's planned expenditure. The level of the council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes, and other factors affecting the level or cost of services.
Capital Charges	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. The charge is for depreciation of the fixed asset.
Capital Expenditure	Payments on the acquisition or enhancement of assets that are considered to be of benefit to the authority over a period of more than one year, e.g. buildings and land. Payments of grants and financial assistance to third parties. Expenditure that is classified as capital following a ministerial direction e.g. capitalised redundancy costs.
Capital Financing Account	This reserve includes amounts set aside from either revenue resources or capital receipts to fund the acquisition of assets.
Capital Receipts	Income received from the sale of land, buildings and other capital assets.
Central Support Services	Services that are provided by the administrative and professional service groups that support all the council's services. They include financial, legal, personnel, computer, property and general administrative support.
Collection Fund	A separate account that discloses the income and expenditure relating to residual community charge, council tax and NNDR
Community Assets	A Class of fixed assets that are expected to be held by the borough in perpetuity. Examples include parks, historic buildings and works of art.

Consolidated Balance Sheet	A statement showing the position of the borough's assets and liabilities as at 31 March in each year.
Contingent Liability	<p>A contingent liability is either:</p> <ul style="list-style-type: none"> <li>• A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control (e.g. The outcome of a court case)</li> <li>• A present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.</li> </ul>
Council Tax	Introduced from the 1 <sup>st</sup> April 1993 as a replacement for the community charge (Poll Tax). It is set by both the billing authority and precepting authority. The level is determined by the revenue expenditure requirement for each authority, divided by the council tax base for the year.
Council Tax Base	An amount calculated for each billing authority from which the grant entitlement of its area is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of band D equivalent properties in the area. The calculation allows for exemptions and discounts, appeals and a provision for non-collection. Some levying bodies in determining their charge to the area also use the tax base.

Council tax requirement	The council tax requirement for the billing and local precepting authorities. This is the amount calculated under section 97(1) of the 1988 act to be transferred from the collection fund to the general fund (except where the amount calculated is negative, in which case it is the amount to be transferred from the general fund to the collection fund)
Creditors	Amounts owed by the council for goods received or services provided but not yet paid for as at 31 <sup>st</sup> March 2007
Debtors	Amounts owed to the council but not received at 31 <sup>st</sup> March 2007
Deferred Charges	A type of capital expenditure, which may be deferred but which does not give rise to tangible assets. Examples are renovation grants and capital grants to other organisations.
Deferred Liabilities	These are creditor balances repayable after one year.
Defined Benefit Scheme	A pension or retirement benefit scheme into which an employee pays regular contributions fixed as an amount or as a percentage of pay. There are no legal obligations to pay further contributions if the scheme does not have sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.
Depreciation	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.
Earmarked Reserves	These are reserves set aside for a specific purpose or a particular service, or type of expenditure.
Finance Lease	A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset.

Fixed Asset Restatement Account	A reserve showing the surplus or deficits achieved when re valuing fixed assets. This reserve is not available for general use in the financing of capital expenditure
Fixed Assets	Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.
Funded Scheme	A superannuation scheme that is supported by a fund of money which is maintained at a level sufficient to meet all future liabilities under the scheme.
General Fund	The account that summarises the cost of providing council services (excluding the housing revenue account)
Government Grants	Assistance by the government and their agencies in the form of cash or transfer of assets to an authority, which may be in return for the past or future compliance with certain conditions relating to the activities of the authority.
Gross Expenditure	The total cost of providing services before taking into account income, e.g. from government grants or fees and charges.
Historic Costs	The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Benefit	Financial help given to local authority or private tenants whose income falls below prescribed amounts.
Housing Revenue account	A statutory account maintained separately from the general fund for the recording of income and expenditure relating to the provision of council housing.
Housing Subsidy	This represents a government grant payable towards the cost of providing Local Authority Housing and the management and Maintenance of that Housing.
Impairment	A reduction in the value of a fixed asset, below the amount it is included at on the balance sheet.
Income and Expenditure Account	A new statement for 2006/07, which details the total income received, and expenditure made by the authority in the year. It is reconciled back to the movement on the general fund balance through the Statement of Movement on the General Fund Balance (see below).
Infrastructure Assets	Fixed assets that are recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
Interest	The amount received or paid for the use of a sum of money when it is invested or borrowed
Investment Properties	Interest in land and/or buildings, which are held for their investment potential or rental income.
Levies	A payment that a local authority is required to make to a particular body. Levying bodies include national parks authorities and passenger transport authorities.
Long Term debtors	These debtors represent the capital income still to be received where sales of assets have taken place and deferred receipts, such as mortgages.
Memorandum account	These accounts are not part of the council's formal statutory accounts and are included in the statement for added information.

Minimum Revenue Provision	The minimum amounts that the council must charge to the revenue account to provide for the repayment of debt.
National Non-Domestic Rates (NNDR)	The form of local taxation charged on non-residential premises at a level set by central government. Rates are collected and paid into a central pool administered by central government. The total collected is then redistributed to authorities on the basis of population.
Net Book Value	The amount of which fixed assets are included in the balance sheet, i.e. they're historical cost or current value less the cumulative amounts provided for by depreciation.
Net Expenditure	Total expenditure less any income due to the council.
Net Realisable Value	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
Non Distributable Costs	These are overheads for which no user benefits and should not be apportioned to services.
Non-operational Assets	Are fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment.
Operating Leases	A lease that stipulates the asset can never become the property of the lessee.
Operational Assets	Are fixed assets held and occupied, used or consumed by a local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
Past Service Cost	For a defined benefit scheme, the increase in the value of benefits payable that was earned in prior years arising because of improvements to retirement benefits.
Post Balance Sheet Events	These events, both favourable and



	unfavourable, which occur between the balance sheet date and the date on which the statement of accounts is signed, by the Director of Finance.
Precept	A charge made on the collection fund by the Greater London Authority, to finance its net expenditure. Known as 'preceptors'
Prior Year Adjustment	A material adjustment applicable to prior years arising from changes in accounting policies or from changes the correction of fundamental errors.
Private Finance Initiative	Started in 1997/98, PFI offers a form of Private-Public Partnership in which local authorities do not buy assets but rather pay for the use of assets held by the private sector.
Provision	An amount set aside for liabilities and losses which are likely to be incurred but where the exact amount and date on which it will arise is uncertain.
Rateable Value	The district valuer, (an Inland Revenue official), assesses the rateable value of individual non-domestic properties. Business rate bills are set by multiplying the rateable value by the NNDR poundage set by the government for the year. (Domestic properties no longer have individual rateable values but are assigned to one of the eight valuation bands for council tax.
Related Party Transaction	A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made, members are required to declare if they have entered into any such transactions and any relationships of influence with any organisations associated with the council.

Reserves	An amount set-aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.
Revenue Balances	These reserves represent surplus balance, which can be used in the future. Some reserves are set up to meet expenditure included in a particular account, such as the housing revenue account.
Revenue Expenditure	Day-to-day payments on the running of council services such as salaries and wages, heating and lighting transport and charges for the use of assets.
Revenue Support Grant (RSG)	The main grant paid by central government to a local authority towards the cost of all its services.
Service Level Agreements	Service level agreements are written agreements between council support service users and providers. Each service level agreement specifies the support service to be provided its timing and frequency, the charge to be made for it and the period for which the agreement will run.
Statement of Movement on the General Fund Balance	A new statement for 2006/07, which shows how the surplus or deficit on the Income and Expenditure accounts matches up with the movement on general fund reserves.
Statement of Total Recognised Gains and Losses (STRGL)	A new statement for 2006.07, which shows the movement in net assets from the beginning of the year to the end of the year.
Stocks	<p>The amount of unused or un-consumed goods held in expectation of future use within one year. Stocks are valued at the end of each financial year and carried forward to be matched to the use or consumption when it arises. Stock comprise the following categories:</p> <ul style="list-style-type: none"> <li>• Goods or other assets purchased for resale.</li> <li>• Raw materials and other components purchased for the incorporation into products for resale</li> <li>• Products and services partially or fully completed</li> </ul>
Support Services	These services are provided by the

administrative and professional service groups that support all the council's services. They include financial, legal, personnel, computer, property and general administrative support.

Trading Accounts

The accounts, which summarise the revenue transactions of those services operating on a "trading" basis which, are financed by charges made to recipients of the services.

Transfer Value

A payment made by one pension scheme to another when a member changes employment to enable the receiving pension scheme to give benefits for service in the paying pension scheme.

Valuation Band

The eight bands for Council Tax as specified in the Local Government Finance Act 1992. Domestic properties are assigned to one of these bands, depending upon the valuation of the property set by the district valuer (an Inland Revenue employee)